# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

APRIL 1960

## WHICH WAY Money and Banking?

*Anderson and Martin Speak Out on Inflationless Growth*

★ ★ ★

## What School for Me?

*Time to Choose and Be Right*

★ ★

## Bank Purchasing Methods

*An Initial Look at This High-Cost Item*

Scarborough-insured banks are freed from the wastes of overlapping coverage and the hazards of outmoded, dangerously thin coverage. Scarborough's modernized policies also protect banks against the logarithmic increase in special hazards and "weird" claims that somehow always accompany expanding bank operations.

Scarborough does more for banks because Scarborough insures ONLY banks. We know your business better. That's why we insure it better.

You might profit substantially from a visit or correspondence with a Scarborough man. Bankers tell us they have gained a clearer insight into their bank's insurance needs during a short meeting with this bank professional than they ever could before in 5 or 6 visits with one not so experienced in banking operations. Talk to the Scarborough man when he visits your city. Or write and a bank specialist will answer your letter.

# 2796

# BANKS NOW INSURE THROUGH SCARBOROUGH

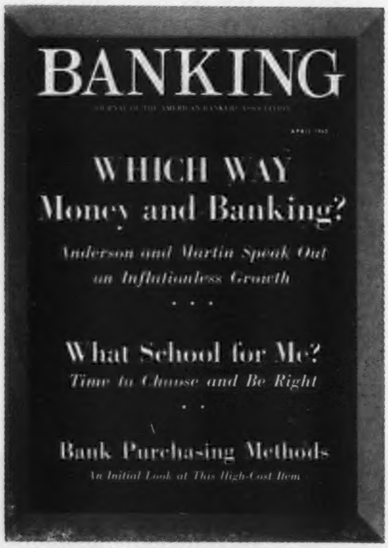
**SCARBOROUGH & COMPANY**

**BANK INSURANCE**

SINCE 1919

First National Bank Building—Chicago 3, Illinois

# In This Issue




## Secretary Anderson and Chairman Martin on Monetary Policy

THANKS to BANKING's Herbert Bratter, you can read in this issue an effective digest of answers made by Secretary of the Treasury Anderson and Reserve Board Chairman Martin to monetary policy questions of particular interest to bankers. Mr. Bratter's raw material was nearly 200 small-print pages in Part 10 of the Joint Economic Committee's published hearings. The two officials were replying to a Patman questionnaire, and their answers cover a wide range: commercial bank interest rate determination, excess reserves and bank rates, allotment of Treasury issue to commercial banks, required reserves, inflation—to mention only a few. "Monetary Policies Relating to Banks" starts on page 46.

## The Banker and the Salesman

YOU know, of course, how you react to salesmen—the men whose wares are vaults, copying equipment, filing systems, stationery, computers, and the thousand and one items a bank uses.

Did you ever wonder how the salesman reacts to *you*? Are you easy to do business with? Is your sales resistance pretty high? Wondering about those and other questions, we went to the salesmen for their answers. The result, as compiled by Dick Kraybill, was most interesting: in brief, bankers buy quality rather than price. There are many quirks to their purchasing habits, summed up in "Are Bankers Artless Buyers?" (page 58). The subject will be further examined in an early issue.

## School Days

THEY'LL soon be around again for perhaps 10,000 student bankers who will be enrolling at the 100 educational programs—schools, conferences, workshops, seminars—conducted, usually in the summer, by national banking associations, state bankers associations, colleges and universities. Education is a verdant pasture these days, and BANKING views it rather generally in "What School for Me?" beginning on page 52.

**BANKING**
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

*The Staff*

*Editor* WILLIAM R. KUHNS
*Managing Editor* WILLIAM P. BOGIE
*Senior Associate Editor* JOHN L. COOLEY
*Associate Editor* MARY B. LEACH
*Associate Editor* RICHARD L. KRAYBILL
*Assistant Editor* ETHEL M. BAUER
*Assistant Editor* RUTH E. BUCKWELL

*Advertising Manager* WILLIAM E. MOHAN
*Assistant Advertising Manager* WILLIAM P. COOLEY
*Representative: West* KENT BLATCHFORD

*Circulation Manager* ROBERT R. SPOONER

*Washington Correspondents* HERBERT BRATTER, THOMAS W. MILES

BANKING is a member of the Audit Bureau of Circulations, the Society of Business Magazine Editors, and the Magazine Publishers Association Inc.

TITLE REGISTERED U. S. PATENT OFFICE
BANKING—Vol. LII, No. 10. Published monthly at 5601 Chestnut Street, Philadelphia 39, Pa.

Merle E. Selecman, Executive Vice-president, 12 East 36th Street, New York 16, N. Y., U. S. A.

Chicago Office, 33 South Clark Street, Chicago 3, Ill.; Washington Office, 730 Fifteenth St., N.W., Washington 5, D.C. Subscriptions: $5.00 yearly; Canada, $5.50; Foreign, $6.00; single copies, 50 cents. Second class postage paid at Philadelphia, Pa. With the exception of official Association announcements, the American Bankers Association disclaims responsibility for opinions expressed and statements made in articles published in this Journal.

Send Editorial, Subscription and Advertising Communications to 12 East 36th St., New York 16, N.Y., U.S.A.

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

COMPLETE — AUTHENTIC

## CONTENTS
## APRIL 1960

*Some material belongs in several different classifications but for your convenience is usually listed under one heading only*

# BANKING'S Investment Forum

## Secretary Anderson on "Callable" Bonds

*The following paragraphs are from a letter sent by* SECRETARY OF THE TREASURY ANDERSON to SEN. PRESCOTT BUSH. *The letter sets forth the Secretary's position on "callable" bonds.*

THIS letter is in response to your request for additional information with respect to the question of Treasury issuance of long-term bonds subject to call some time in the future, a subject which I discussed in my testimony before the Joint Economic Committee on February 16. Recently a number of suggestions have been made that, inasmuch as interest rates are relatively high, the Treasury should not offer any considerable amount of intermediate- or longer-term bonds without retaining an option to call the securities in the event interest rates decline appreciably.

This point of view has considerable merit, and the Treasury would consider it unwise to issue large amounts of new long-term bonds under today's conditions. For one thing, we have no reason to believe that a market for a large amount of long-term bonds actually exists today. Consequently, large-scale issuance of long-term Treasury bonds might force interest rates to higher levels and also drain off a substantial portion of the savings that would otherwise flow into homebuilding, state and local government projects, and business expansion and modernization of plant and equipment.

### The Likely Volume

It is noteworthy that the Treasury issued only $10-billion of bonds running 10 years or more to maturity during the period from the beginning of 1953 through the spring of 1959, when the 4¼% interest rate ceiling effectively halted the sale of new bonds. Thus the average amount issued in the 6½-year period was about $1½ billion a year. The Treasury would not expect, under current market conditions, to exceed by any great amount that volume of long-term bond issues, either in raising new cash or by refunding maturing securities. As I pointed out to the Committee, a large portion of the debt extension that we desire to achieve—and which we believe is so highly important in our efforts to prevent a dangerous shortening in the maturity of the public debt—would be obtained through "advance refunding," in which case the actual coupon rates of interest paid by the Treasury could be kept well within the 4¼% ceiling.

Moreover, it is especially significant that since 1952 most of the debt extension that has taken place has resulted from issuance of securities in the 5- to 10-year maturity range, of which $39-billion were issued. The case for a call feature in connection with these 5- to 10-year issues—which will probably be used to a considerable extent in the future as a part of any debt-lengthening program — is much less apparent than the case for optional call privileges with respect to securities running for more than 10 years.


"We like to think twice around here!"

The Treasury is seriously considering the desirability of incorporating optional call features in new long-term bond issues (over 10-year maturities), once the ceiling is removed. We would, however, strongly oppose any legislative action that would compel the use of callable bonds exclusively. There may well be many occasions when the issuance of callable bonds would not be in the public interest, inasmuch as use of the feature involves several disadvantages as well as advantages. In addition, we believe that maintenance of the desirable degree of flexibility in debt management requires that legislation restricting the types of issues that the Treasury can sell be held to a minimum. The Treasury now possesses full authority to issue callable bonds, when conditions are appropriate, and in fact most of the long-term bonds issued in the past have contained a call feature. Since the late 1920s, however, the call privilege on long-term issues has been limited to the last two to five years before maturity.

### Effect of Call Feature

If the Treasury, once the interest rate ceiling is removed, decides to issue bonds callable at par, it must be recognized that the securities will have to bear a somewhat higher effective rate of interest than noncallable issues of similar maturity. The existence of a call feature tends to make securities less attractive to many long-term investors in comparison with fixed maturity issues. Most of the larger insurance companies, for example, prefer to invest in negotiated loans of definite maturity (private placements) rather than to buy callable corporate bonds (or, at least, bonds callable for refinancing). Thus long-term investors tend to buy callable securities only if they believe that the increased interest which the borrower pays for the call feature is sufficient to compensate them for the risk of loss of future earnings in the event the

(CONTINUED ON PAGE 6)

(CONTINUED FROM PAGE 4)

bonds are called before maturity. It is possible that even with the attractiveness of a higher interest rate many investors (particularly those such as pension funds and insurance companies, which try to obtain a guaranteed long-term rate of return to meet actuarial requirements), who would otherwise purchase long-term, fixed maturity Government bonds, would refrain entirely from buying callable issues unless the call period were confined to a relatively short span of time before final maturity.

An alternative technique would involve long-term bonds which are callable at a premium above par. Many business corporations—particularly public utilities—have been quite successful in selling this type of security, which is callable at a sliding scale of premiums, depending on when the call is made. Despite considerable dissatisfaction on the part of investors, a study made in 1958, covering the preceding 32 years, indicates that the added initial interest cost to borrowers on bonds subject to immediate or early call was relatively small in comparison with costs on bonds which were not callable for a number of years. This study has not been fully completed. Furthermore, it relates primarily to issuance of callable bonds in a period of low interest rates in the earlier years, and of rising interest rates through 1957. It does not reflect, therefore, the effect of the fall of rates in the 1958 recession in causing greater reluctance on the part of investors to purchase bonds callable at an early date.

### Treasury's Unique Position

We must also keep in mind, as I pointed out in my testimony before the committee, that the Treasury, in its debt management role, is in a much different position from a public utility corporation attempting to schedule its debt maturities. The typical public utility relies very largely on long-term bonds to finance its fixed capital requirements. The number of issues outstanding for any one firm is usually not large, and the average length to maturity typically exceeds 10 years. Thus the public utility finds the call privilege highly desirable, for it avoids the necessity of having to refinance all —or a sizable portion—of its debt


"It was bound to come . . . . she has a credit card!"

during a period of high interest rates.

The Treasury debt structure, on the other hand, involves an automatic "averaging" process. We now have 11 issues of bonds outstanding with more than 10 years to final maturity, and these issues are spaced from 1970 to 1995. That, in itself, provides for a broad spread for the $25-billion of Treasury bonds in this category. But this $25-billion amounts to only 13% of the Treasury marketable debt outstanding, and the average length to maturity of this marketable debt is only 4¼ years. If the artificial restriction on long-term Treasury financing is removed, and if a reasonable amount of long-term securities can be marketed in most years, the Treasury will receive the benefit of an average level of rates over time, without any large bunching of long-term financing during a period of high rates.

In conclusion, I would like to emphasize again that the Treasury has no intention, once the ceiling is removed, of issuing large amounts of long-term bonds for cash or in exchange for maturing issues, but intends to rely to a considerable extent on "advance refunding." Also, with the ceiling removed, the Treasury will be able, if conditions so warrant, to issue bonds callable either at par or at a premium above par. We shall continue to study the question of which type of callable bond would be most appropriate under different types of conditions, and any decision in this respect would, of course, depend primarily upon market circumstances at the time the offering is made.

# 20,000 Investment Clubs

FROM statistics listed in the March issue of *The Exchange,* the following has been culled for BANKING's readers:

(1) Estimated monthly investments by the 20,100 clubs late last year amounted to $5,100,000, compared with $2,100,000 by 8,100 clubs around mid-year 1957. More than three-quarters of the clubs invest less than $300 per month, unchanged from 29 months earlier; while the median average monthly investment per club has eased to $208 from $214.

(2) Mid-November value of the stocks held by the investment clubs surveyed increased to $160 million from about $54 million in June 1957. The median value of each club's stock holding rose to $3,450 from $2,870.

(3) The average number of stocks held per club grew to 8.2 from 7.9. However, the average number of members per club slipped to 14 from 15; while the number of clubs with 15 or fewer members rose to 72 from 68%.

(4) Over 70% of the clubs place capital appreciation as the main objective; 27% are chiefly interested in investment experience; and less than 3% are primarily concerned with dividend income.

(5) Four out of every five clubs in existence are under three years old; less than 4% are over five years old. The median age per club has risen to 18 from 16 months.

(6) Clubs are fairly well scattered throughout the country. New York City, Chicago, Detroit, Los Angeles, Pittsburgh, Philadelphia, and St. Louis, in the order named, have more investment clubs than any other cities.

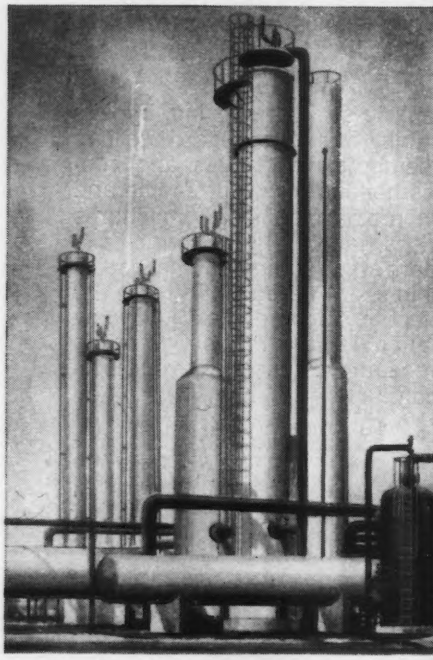
(7) Women are showing an increasing interest in investment clubs, the number of all-female organizations having increased to over 10% from only 5.3%.

(8) On average, 2.4 persons per club open separate brokerage accounts after formation of the organization to which they belong.

EAGLE EP PICHER

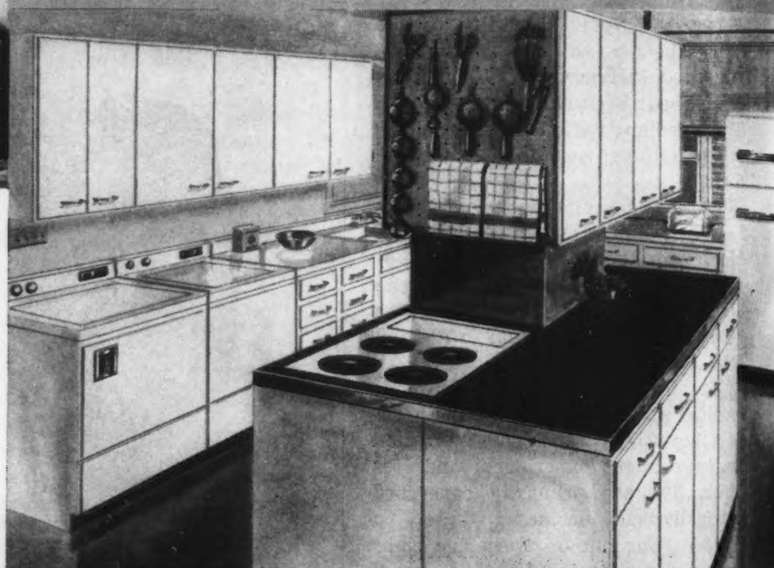
# EAGLE-PICHER

## Manufacturer's Manufacturer



Refining crude oil in a petroleum plant calls for extremely high temperatures, precisely controlled. Eagle-Picher supplies a complete line of industrial insulations including pipe coverings, blankets, felts, precision-finished blocks, cements and protective coatings to achieve maximum thermal control from sub-zero to 2,300 F.

## Strength through planned div



Frits, the basic material of porcelain enamel, are among Eagle-Picher products. Because of resistance to abrasion, chemicals, moisture, dust, heat, cold, weather and wear, porcelain enamel continues to widen its already broad scope of application. You will find it not only on customary appliances and utensils but also protecting a long list of less obvious products such as brake drums, escalator risers and jet engine liners.

"Phenopreg" plastic impregnated materials and parts span the field from bow and arrow shafts to the nose cones of guided missiles. Applications of these Eagle-Picher plastic impregnates include such varied items as fishing rods, printed circuit panels for radio and television sets, small boat hulls, grinding wheel reinforcements and aircraft wiring, ducts and housings.

# GOVERNMENT BONDS

*Market Strength Continues . . . Bills in Demand . . . Open Market Committee Sells Bills . . . Bank Loans Increase . . . Investments Decline . . . More Treasury Cash Needed . . . Outlook*

**MURRAY OLYPHANT**

MOST of the factors responsible for the rise in the prices of fixed income securities continued to exert their influence in March. While there was moderate increase in the amount of loans, the banks were able to meet all demands without any increase in their borrowings from the Federal Reserve banks. There was no further expectation of a rise in the rediscount rate.

Although new corporate and municipal bond issues continued to come to the market in substantial volume, practically all were—by early March—cleared from the dealers' shelves at or above the prices at which they were offered.

Moreover there was no indication of a renewal of boom psychology in the business indicators. The average comment of the economic forecasters was to the effect that 1960 could be expected to be better than 1959 but not very much better. The index of production showed further moderate improvement. Estimates were that employment could be expected to increase after its initial minor decline.

Disposable personal income rose again. Surveys of consumers' intentions indicated that demand should hold up well for consumer goods. It appeared that capital expenditures by both industry and states and municipalities would be fully as great as last year but not very much more.

In short, the immediate prospect seemed to be that the supply of credit would be much closer to the amount of demand than had been feared at the end of last year.

The market for Government bonds clearly reflected a decidedly lessened fear of inflationary developments.

### Market Strength Sustained

The market, early in March, remained strong in all categories from short to long maturities.

Bonds due in 10 years or more rose from about $1\frac{1}{2}$ to over 2 points and now are, roughly, up 4 or 5 points from the lows of 1959.

The 3- to 10-year issues made gains running from $\frac{1}{4}$ to $1\frac{3}{4}$ points. While the continued demand for Treasury bills resulted in a sharp decline in the yields available within the 1-year range.

By March 7 the recently issued $4\frac{7}{8}\%$ certificates February 15, 1961, and $4\frac{7}{8}\%$ notes November 15, 1964, had premiums of 20/32 and 1 24/36, respectively. Nine issues commanded bids of 100 or more; the 5% notes August 15, 1964, reaching 103.

Moreover the character of the market, which for so long had been thin and inactive, changed to one of greater volume. The decline in the stock market certainly resulted in the sale of equities and the purchase of fixed income securities. There was a definite indication that investment funds were beginning to show an interest in the longer-term Government issues. It is probable that this interest resulted in somewhat more of a rise in prices of those issues than would have been true had a greater supply been available, but the inability of the Treasury to put out any obligations of over 5-year maturity had narrowly limited the supply of the longer bonds in the market.

Another reason suggested for the renewed interest in the longer-term bond issues was the possibility that Congress might permit the Treasury to do some so-called "advance refunding." This can hardly be expected for some time. It might be noted, however, all of the 10 bond issues maturing from March 15, 1971, to February 15, 1995, were selling at prices to show a "before tax" yield of from 3.82% to 4.21%, which are all below the present limit of $4\frac{1}{4}\%$ on such issues.

Thus, favorable market factors prevailed and prices rose. Whether this will continue to be true is by no means certain.

### Demand for Bills Unchanged

Although the average cost of only 3.563% for the bills sold in the first

(CONTINUED ON PAGE 12)

### *Outlook*

WEAKNESS in the stock market was believed by many to be a forecast of drop in business volume, or the belief that forecasts have been over-optimistic.

Treasury financing needs between now and June 30 are less than in any quarter for some time. The expected reduction of perhaps $4-billion in the gross debt should be a factor in increasing the supply of credit.

The banks appear to be well able to meet loan demand without unduly increasing their negative reserve positions. There is some talk that the monetary authorities may be considering some shift from restriction to ease.

For the moment the fear of an inflationary business boom is—at least temporarily—in eclipse.

Under these circumstances any sharp increase in interest rates does not seem probable. The mid-March tax period may result in some temporary increase in the demand for credit, but thereafter there might be further relaxation.

Prices for Government securities should hold around present levels until there is a clearer view of the course of business volume for the balance of 1960.

(CONTINUED FROM PAGE 10)

week of February marked a low point, the subsequent increase in cost was only moderate so that the average cost for the month was again below the previous, as can be seen from the table "Weekly Bill Sales."

The spread in yield between the 3-month and 6-month issues was the narrowest yet shown.

The demand for bills continued to come from other than banking sources as both the Federal Reserve banks and the commercial banks lowered their holdings. Over mid-March a decline in the holdings of "others" results from tax payments, but it seems probable that, thereafter, these "other" holdings will again increase as the "cash flow" to corporations continues to be at high levels.

As the $4-billion of Treasury account bills due on March 22 are either paid off then or used to pay taxes on March 15 the supply of bills will be decreased, which should be a factor in maintaining their present value.

### Open Market Committee Moderately Active

For the period from February 3 to March 2 the Government portfolio of the Federal Reserve banks declined $213,000,000. The total bill holdings of the Federal Reserve banks is now over $1.5-billion less than at the year end.

The average negative reserve position of the member banks of about $433,000,000 for the period was little changed from the previous month. The float, averaging about $1-billion for the period was also little changed. Changes in the gold stock and in money in circulation were small.

The Open Market Committee, therefore, can be seen to have acted very moderately in the direction of credit restrictions. As the inflationary cat is still poised on the fence the monetary authorities can be said to be waiting for some indication as to which way and when the cat will jump.

### Bank Loans Up Investments Down

With the exception of loans to carry securities all the loan categories of the reporting member banks rose in the period from February 3 to 24 as follows:

| | |
|---|---|
| Commercial, industrial, and agricultural | $224,000,000 |
| To nonbank institutions | $68,000,000 |
| Real estate | $111,000,000 |
| Other | $27,000,000 |

The total of loans (adj) was up $174,000,000, an amount which hardly seemed to warrant the further drop in investments of $975,000,000 of which $919,000,000 was in Government holdings.

The Government holdings of the reporting member banks are now about $7.8-billion below what they were one year ago. "Other" investments are off about $390,000,000.

### More Treasury Cash Needed

The Treasury is expected to come to the market for between $2- and $3-billion new cash early in April.

As it is quite certain that, by then, there will have been no Congressional action to permit the payment of more than 4¼% on bonds, it is fully expected that the cash will be obtained by an offering of two issues; one for about one year and the other in the 4- to 5-year range.

The rates of return on the new issues will be determined, as usual, by the state of the market at the time the offer is made. Unless, however, there is a pickup in the business indicators and a renewed demand for loans, there should be little change in the rates from those prevailing in early March.

*Weekly Bill Sales*

| *Offered on* | *3 months* *Amount* | *Average cost* | *6 months* *Amount* | *Average cost* | *Yield spread* |
|---|---|---|---|---|---|
| Feb. 4 | $1.2-billion | 3.563% | $400,000,000 | 4.094% | .43% |
| Feb. 10 | $1.2-billion | 4.045% | $400,000,000 | 4.294% | .25% |
| Feb. 16 | $1.2-billion | 4.168% | $400,000,000 | 4.396% | .23% |
| Feb. 25 | $1.1-billion | 4.278% | $400,000,000 | 4.458% | .18% |
| March 4 | $1.7-billion | 3.641% | $400,000,000 | 4.024% | .38% |
| Average for period | | 3.94% | | 4.25% | |
| Average for previous period | | 4.013% | | 4.31% | |

# College Funds Prefer Oils, Utilities

OILS and utilities dominate the equity portfolios of four prominent eastern college endowment funds.

Reports for the fiscal year ended June 30, 1959, by Harvard, Yale, Princeton, and Columbia show that —of the 10 largest blocks of listed common stock held by each—9 are oils and 9 are utilities. Other holdings include 3 chemicals, 2 mining and 1 each automotive, electrical, railroad, retail trade, and steel.

It doesn't necessarily follow, of course, that the 10 largest blocks of stock in a given portfolio are also the most valuable ones.

All four endowments owned blocks of Standard Oil Company (N. J.) stock when their 1959 fiscal years ended, although their combined holdings decreased from 487,293 shares twelve months earlier to 401,130 at the end of June. The recent market value of 401,130 Jersey Standard shares was well in excess of $18,000,000.

Three of the endowment funds—Harvard, Princeton, and Columbia—together owned 235,142 shares of Texaco, with a recent market value not far below $18,000,000; while the same three colleges owned a total of 235,768 shares of Standard Oil of California, worth more than $10,000,000.

Yale and Columbia combined owned 75,404 shares of Socony Mobil Oil valued at nearly $3,000,000.

Only two of the nine utility stocks tabled appear in more than one of the college portfolios. Yale and Columbia combined owned 69,242 shares of El Paso Natural Gas, with a recent market value of about $2,000,000; while Princeton and Columbia together owned 47,700 shares of Northern Natural Gas, the recent market value of which exceeded $1,000,000. — *The Exchange, March* 1960.

# EXTRA PROFITS for Your L

## with the

## PROTECTED P

### Proved by Actual Service in Hundreds of Banks

- The most important payment protection you can make available to your loan customers today
- Insures your installment and personal loan borrowers . . . when disabled by accident or sickness their payments will still be made
- Attracts many new dealers and direct loan customers with an unparalleled promotion program
- Easy to install and operate . . . there's no paperwork burden
- There's no cost to you . . .
- Backed and serviced by "America's Number 1 Accident & Sickness Insurance Company"®.

Consider this plan not only for your own ends, but also as your public does a service of your bank, intended for their benefit.

1.

2.

3.

# Loan Department

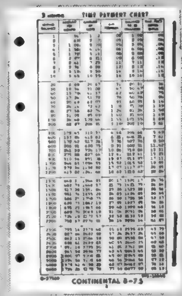
# PAYMENT PLAN

## See for Yourself How Easily this Plan Works

**This simple procedure is in operation today in hundreds of banks across the nation**

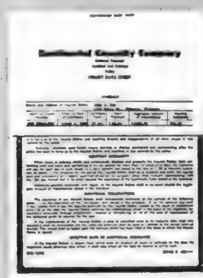
**1.** *Installation*

Continental supplies new rate charts, computed at your interest rates, with the cost of insurance added. You also get colorful point-of-purchase and other promotional materials, including brochures with your imprint.



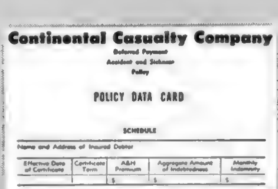

**2.** *Direct Loan Business*

When your clerk prepares the loan papers she fills in this simple snap-out certificate. Your customer gets his insurance certificate on the spot along with his copy of the loan note.



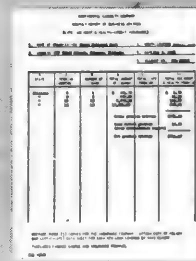
**3.** *Dealer Business*

When the note is submitted for approval your dealer includes a 3 x 5 card with the necessary information for the insurance certificate. On approval of the loan this card is forwarded to your insurance agent who completes the certificate and mails it to your borrower.



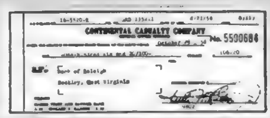

**4.** *Simple Monthly Report*

Once each month all new insured loans are grouped on this simple reporting form and sent with a check for the insurance premium to your insurance agent.

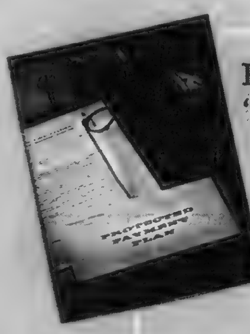


**5.** *Claim Payments*

All claims are quickly and efficiently handled by Continental and your insurance agent.




Let us show you how you can take advantage of the Protected Payment Plan in your loan department. Send today for your free copy of our informative "Protected Payment Plan" booklet and an accurate estimate of the profits that can accrue to your bank. Contact your insurance agent or nearest Continental Branch office or for your convenience use this coupon




Please send me a free copy of your "Protected Payment Plan" booklet.

Name____________________

Position____________________

Bank____________________

City____________________

Zone______ State____________

Credit Insurance Division CONTINENTAL CASUALTY COMPANY
310 S. Michigan Avenue Chicago 4, Illinois

Continental Casualty Company
310 South Michigan Avenue
Chicago 4, Illinois

# THE INVESTMENT MARKETS

H. EUGENE DICKHUTH

WHILE the decline in stock prices has been one of the spectacular factors in the investment markets ever since early January, it may be interesting also to take a look at yields of both stocks and bonds. It has been an old axiom that, if stocks go up in price, bonds go down, and vice versa. At the same time, as stocks go up, yields are apt to decline, and as bonds, with their fixed interest rates, go down, yields increase.

The time-honored concept of investments has been that risk, or common stock or capital investments, should command a higher rate of return than fixed interest rate returns on bonds of the various classifications. There are other time-honored concepts, such as the price-earning ratio of common stocks.

But times have been changing. At today's high tax rates, the temptation for individuals and corporations in the top brackets is great to buy for tax saving rather than yields. Standard and Poor Corporation compiles admirable tables on stock and bond yields. Obviously, they cannot measure the emotion of buyers and sellers and their motivation to buy or sell either stocks or bonds.

### Yields

At any rate, in January 1958 common stocks yielded a little less than 4.5% and corporate bonds were a little higher than 3.5%. In the summer of 1958 both yields crossed and reversed themselves to the point where, in March 1960, A1+ corporate bond yields were a little higher than 4.5% and common stock yields were about 3.4%.

Other factors in investment considerations—and here again the tax angle is of import—is what percentage a company distributes to its stockholders out of profits because of reserve or reinvestment considerations. A typical example is International Business Machines, which has paid very little in dividends but has been a spectacular market performer in recent years.

While this is being written, the Dow Jones averages are flirting with a 600 level, compared with 685 on January 5 of this year. This is a considerable price decline. Perhaps it may appear unreasonable to many sectors of the investment markets. Yet there is a fairly reasonable relationship between stock and bond yields, at least by previous standards. Moreover, the present yield structure, in the final analysis, stems from a borrowing rate in the neighborhood of 4% by the U. S. Treasury. It is hard to see how this could be reduced materially unless monetary policy was changed completely.

Well over 10,000,000 persons in the U. S. now own publicly issued stocks in American corporations and there are untold other millions who are indirect investors through various forms of savings in bank accounts, insurance companies, mortgages, and other media.

Foreign holders of American securities are reported to own between $10- and $15-billion of stocks and bonds. As a result of the build-up and recovery in the postwar years of overseas nations with considerably lower industrial costs, there has been a tendency among foreign holders of American securities to liquidate their investments here in favor of more promising returns elsewhere. This was another major contributing factor in the stock market decline this year. The accompanying outflow of $3.3-billion of gold from the U. S. was no encouraging factor, either.

### Bond Offerings

New bonds underwritten and offered for sale to the public came to $1,456,302,000 in February. This compared with $1,542,014,000 in February 1959 and with $1,723,126,000 in January 1960. New bond issues were the smallest for any February since 1957.

**Prospects for the mobile home industry are discussed by Mr. Dickhuth on page 132.**

As usual, state and municipal issues dominated the scene with $742,612,000, which included $261,255,000 in housing flotations. Public utilities were the second largest segment of fund seekers with $216,000,000, followed by the Federal Land banks and the International Bank for Reconstruction and Development.

In the first two months of the year, new bonds with a face value of $3,179,428,000 came to the market. This compares with $3,216,729,000 in the same period of 1959. Considering that in this year's two months' total there was included $375,183,000 of housing bonds, against $536,359,000 last year, the year-to-year comparison is quite favorable.

### New Stock Issues

February saw $107,515,000 of new equity flotations. This was double the $53,700,000 of January but much less than the $199,700,000 offered to the public in February 1959. In fact, February equity financing was the smallest for any February since 1957, when the total was $36,607,000.

For the first two months of 1960 year-to-year comparisons are not too good, either. Total new stock financing amounted to $161,199,000, covering 38 issues, compared with $295,324,000 for 24 issues in the corresponding period of 1959. The like figure for 1958 was $155,572,000 for 15 flotations.

A better and more favorable outlook for stocks is also indicated by the outlook for dividends. There are strong reasons for believing that this year stockholders will be treated more generously than in 1959.

In February alone, no less than 141 companies increased their payments. This compares with only 110 companies in February 1959. Of this year's total, 58 corporations paid extra dividends, against 33 in February 1959.

In the over-all dividend total, it may be noted that 15 companies reduced their payments to stockholders, against 14 last year, and omissions of dividends increased from 10 to 13.

# heard along main s[treet]

*Compiled by Marguerite Beck*

### *About People*

HENRY W. ENGLISH, JACK G. LOBINGIER, BERNARD J. LUNT, JOHN G. RICHARDS, all become vice-presidents at The Fort Worth (Tex.) National Bank. EVERETT E. KIDD, WILLIAM A. LANFER, JOHN L. ROSS, all become assistant vice-presidents.

THOMAS H. BENNETT, BARRETT W. STEVENS, STUART MCCARTY, DONALD R. SPAIDAL, The Hanover Bank, New York, all become vice-presidents.

M. WADDELL MOURSUND, from assistant vice-president to vice-president, Houston (Tex.) Bank & Trust Company. BENJAMIN J. RUSSO becomes assistant cashier.

JOHN A. SCHOONOVER, from president to board chairman, Idaho First National Bank, Boise; WILLIAM E. IRVIN, from executive vice-president to president; THOMAS C. FRYE becomes executive vice-president.

EDWARD W. HINKLE, vice-president and trust officer, retires from Louisville (Ky.) Trust Company.

HARVEY L. HINKLE, from vice-president to senior vice-president, Liberty National Bank and Trust Company of Oklahoma City, Okla.; JAMES M. BERRY, FRANK J. LAKE, L. W. MILLER, JR., and TOM G. HILBORNE, all become vice-presidents.

FREDERICK GIDGE becomes vice-president, Manufacturers Trust Company, New York.

J. DELAFIELD DUBOIS becomes senior vice-president, Morgan Guaranty Trust Company of New York.

D. W. (Bill) WOOLLEY, vice-president, Federal Reserve Bank of Kansas City, retires after over 26 years of service.

JOHN E. HAMPEL becomes vice-president at Mosler Safe Company, Hamilton, Ohio.

JOHN R. VAN DER ZEE, from vice-president, California Bank, Los Angeles, to vice-president and director of production, Western Mortgage Corporation, Los Angeles.

J. W. CARAKER, from assistant vice-president to vice-president, Citizens and Southern National Bank, Atlanta, Ga.

DUDLEY C. SHARP, Air Force Secretary, becomes board chairman, Pinemont State Bank, Houston, Tex.

LUCIEN HARRIS III becomes president, National Bank of Sarasota, Fla., succeeding the late ALAN M. COOPER.

ROBERT CUTLER retires as board chairman from Old Colony Trust Company, Boston, Mass., and becomes executive director, Inter-American Development Bank.

FRANK B. JECKEL, HORACE F. KENNEDY, both become vice-presidents at the Summit (N. J.) Trust Co. JEROLD G. GALLAGHER, RICHARD L. HULL, become assistant vice-presidents.

C. J. FOLEY, F. W. LEWIS, both from assistant vice-presidents to vice-presidents, Union Savings and Trust Co., Warren, Ohio; DAVID R. CHENOWITH, trust officer, also becomes vice-president. H. L. BUNCH becomes assistant vice-president.

DR. DANIEL R. LANG, dean of the Evening Division of Northwestern University, has been appointed di-

### *Albany Bank Works Against Cerebral Palsy*

**Early this year, at the State Armory in Albany, N. Y., 36 members of National Commercial Bank volunteered to work a 20-hour stint, beginning at 10:30 P.M. on a Saturday night, to raise funds for the United Cerebral Palsy Association. The Armory was converted into a TV studio for the night, and TV stars, famous bands, and other guests performed. Pledges and cash donations were accepted at the Armory and over the telephone during the 20 hours**

**Seated, *left to right*, are Mary Casey, manager, cashiers department; Julius Battibulli, main office head teller; and Lawrence Hoffmeyer, Ruth Smith, Virginia Mantica, branch office head tellers. Standing, *left to right*, are John Beatty, main office tellers department; Henry W. Jarvis, branch manager and treasurer of the Cerebral Palsy Foundation; and Frederick Gleason and Louis Windeknecht, tellers department**

# street

*of* **BANKING'S** *staff*

rector of the School of Financial Public Relations. He succeeds PRESTON E. REED, executive vice-president of the Financial Public Relations Association, who directed the school since its establishment in 1948. WILSON PARFITT, assistant executive secretary of FPRA, was named associate director. The association sponsors the school in cooperation with Northwestern.

WALLIS B. DUNCKEL becomes president of Bankers Trust Company, New York. MR. DUNCKEL, who has been senior vice-president, is succeeded by JOHN H. MILLIKIN. ALEX ARDREY, who has been president, becomes vice-chairman of the board; D. BART ELLIOTT and G. SEAVER JONES both become vice-presidents.

JOSHUA GREEN, SR., board chairman, Peoples National Bank of Washington, Seattle, celebrates his 90th birthday simultaneously with the 70th anniversary of his bank.

Directors and officers of newly-organized First-Wichita National Bank of Wichita Falls, Tex., have been named: CARTER McGREGOR, chairman; HOMER LEE, W. ERLE WHITE, vice-chairmen; JOE B. WOLVERTON, president and chief executive officer; GRADY D. ATCHLEY, R. V. FITE, DICK HARRIS, W. D. LACY, HARRY C. LANE, CAREY T. MAYFIELD, HUDSON MEADOR, CLEO A. NIPPER, J. C. PORTER, LLOYD M. SMITH, W. R. TERRY, RAY L. WINSTEAD, all vice-presidents; FORREST COLLINS, cashier; and MALCOLM MILLS, comptroller.

PAUL H. FREDERICK, vice-president, Home State Bank of Crystal Lake, Ill., has been named "Man of the Year" by the Crystal Lake Junior Chamber of Commerce.

SPENCER R. VAN ESS, ROBERT J. WEBER, both become vice-presidents at Milwaukee (Wis.) Western Bank; WILLIAM R. SEEFELD becomes cashier.

***Bank Totes Customers Across Lot***


**A battery-driven "surrey with a fringe on top" totes customers from the far reaches of its parking lot to the back door of First National Bank in Fort Lauderdale, Fla. Named the "Sunliner" to emphasize the bank's being called the "bank in the sun," it's a custom-built six-passenger pick-up. It's a handy thing to have around the lot, says the bank**

G. DANA BILL becomes vice-president, Malden (Mass.) Trust Company; LAWRENCE J. KING becomes assistant treasurer; HOWARD J. MACKILLIGAN becomes administrative assistant.

Eleven new officers, all from Black Rock Bank and Trust Company, were named when Black Rock merged into the National Bank and Trust Company of Fairfield County, Stamford, Conn. FRANK J. CLARK, president and trust officer of the Black Rock Bank, becomes senior vice-president of The National Bank; G. WEBSTER MILLER, GABRIEL BIRO, both become vice-presidents; STEPHANIE RUSCAVAGE, becomes assistant vice-president and associate trust officer; CHARLES FRANZ, EDGAR FREESE, THOMAS E. LATTIN, C. RICHARD REED, JR., all become assistant vice-presidents; RAYMOND L. THIBAULT, RAYMOND E. BANSAK, RICHARD D. EISENMAN, all become assistant cashiers.

ARTHUR W. BROWN, from vice-president and senior loan officer to executive vice-president, American National Bank, Denver, Colo.; J. E. MONTAGUE becomes president, succeeding ADOLPH KUNSMILLER, who again continues as board chairman.

ANTHONY DREXEL DUKE joins board of American National Bank of Fort Lauderdale, Fla.

JOHN R. MEADOWS becomes vice-president and cashier, Ann Arbor (Mich.) Bank; JAMES F. BEAMER, BRYAN A. VAN SICKLE become vice-presidents; THEODORE STIMPSON becomes auditor.

GUY C. PILTZ becomes general auditor, Bank of Hawaii, Honolulu.

CHARLES A. PHELPS, trustee and vice-president, remains trustee but becomes honorary vice-president at Jefferson County Savings Bank, Watertown, N. Y.; EARLE M. CRYSLER, trustee, also becomes vice-president; C. WALTER HELLRIEGEL, from assistant to president to vice-president; EDWARD J. HENNESSY, from auditor to secretary; and O. PALMER BARNES, trustee and secretary, retires as secretary.

SHREVE MONTAG, FRED PIERRE, JAMES A. OWENS, all become vice-presidents at Bank of America, San Francisco, Calif.

GEORGE J. BITZ, investment officer, Chase Manhattan Bank, New York City, becomes assistant treasurer, Lincoln Center for the Performing Arts, Inc.

ARTHUR W. DAHL, formerly a supervising bank examiner and assistant to the Deputy Superintendent,

New York State Banking Department, becomes assistant vice-president, Chemical Bank New York Trust Company.

C. W. LaMarr, from assistant vice-president to vice-president, Citizens National Bank, Los Angeles, Calif.; E. R. Swenson becomes assistant vice-president.

Edwin H. Ewig becomes vice-president and branch manager, Crocker-Anglo National Bank, San Francisco, Calif.; Walter H. VanCott becomes vice-president.

George Champion, president, Chase Manhattan Bank, N. Y., succeeds John J. McCloy, retiring Chase board chairman, as national campaign treasurer for the 1960 United Negro College Fund appeal.

Thomas E. Clarke, Gordon E. Heffern, Don S. Helwick, all become vice-presidents at The National City Bank of Cleveland, Ohio; John T. Tatakis becomes assistant vice-president.

William H. Lyon retires as president of South Milwaukee Marine Bank, Milwaukee, Wis., and is succeeded by John J. Schweda, Jr., who has been executive vice-president.

Samuel L. Conard, public relations director, becomes vice-president, Broad Street National Bank of Trenton, N. J.

J. A. Hill from executive vice-president to president, Hamilton National Bank, Morristown, Tenn., succeeding Herbert S. Walters, who remains board chairman. K. B. Willis becomes assistant cashier.

A. B. Benedict, Jr., from executive vice-president to president; Garland F. Turner, from assistant vice-president to vice-president; J. William Coles, trust officer, also becomes vice-president.

Sessions A. Hootsell becomes executive vice-president, City Bank and Trust Company, Natchez, Miss.

N. Winston Yeager becomes a vice-president at City National Bank, Oklahoma City, Okla.

Robert W. Bruce, Jr., Malcolm E. Lambing, Wilfrid Murtland, J. Edwin Wilson, all become senior vice-presidents at Pittsburgh (Pa.) National Bank; Francis A. Devlin, Burton S. Holmes, both become vice-presidents; Martin C. Hoffman, James M. Patton, Joseph A. Richardson, Jr., Asa W. Smith, Emerson S. Smith, John R. Smith, all become assistant vice-presidents.

## *Presidents' Dinner Held by New York Group*

**Martha Rountree, *center*, nationally known radio and television commentator, is flanked by presidents and vice-presidents at the Savings Bank Women of New York Presidents' Dinner, March 9, Waldorf-Astoria Hotel, New York. *Left to right* are Morris D. Crawford, Jr., executive vice-president, Bowery Savings Bank, SBW president, Elizabeth R. Clark, Bowery Savings Bank; Miss Rountree; SBW vice-president, Marie F. Zimmer, Kings County Savings Bank, Brooklyn; Charles F. Brau, president, Kings County Savings Bank. Some 800 savings bankers, including 35 presidents, attended the dinner. Miss Rountree was guest speaker**

(CONTINUED FROM PAGE 20)

ALLEN B. MORGAN, CHARLES H. PARKS, both become executive vice-presidents, Seattle-First National Bank, Wash.; JOHN A. LANE, JR., becomes vice-president.

LE G. MOORE, vice-president, retires from Valley National Bank, Phoenix. Besides managing multimillion dollar office buildings in Phoenix and Tucson, Mr. MOORE constructed VNB branches in 30 communities throughout Arizona.

B. THOMAS WHITE becomes vice-president at South Carolina National Bank, Florence, S. C.

G. EMERY DRAKE becomes senior vice-president and chief operating officer, Bound Brook (N. J.) Trust Company.

PHILIP C. KOPITSKY becomes president, State Bank and Trust Company, of Wellston, St. Louis, Mo., succeeding FRED L. WUEST, who retires. CHARLES W. SUNDERMAN becomes vice-president-secretary; PETER T. SOURIS becomes vice-president; RICHARD J. KLOHR, assistant vice-president.

JOHN S. FREEMAN becomes secretary of the Savings Banks' Association of New Jersey, succeeding PERCY B. MENAGH, who retires.

JOSEPH H. WHITE, vice-president, retires as trust department head, Mercantile Trust Co., St. Louis, Mo., he is succeeded by W. BOARDMAN JONES, JR., vice-president.

WOODROW W. JONES, former U. S. Congressman, becomes director at Union Trust Company of Shelby, N. C. KENNETH S. MILLER becomes vice-president; W. J. STALLINGS, cashier, also becomes vice-president; OLAN R. SPEAGLE becomes assistant vice-president and treasurer.

## *Neophyte Politicos Confer in Nebraska*

**Big year for politics, this 1960. Here's a group of neophyte politicians, many of them bankers. From the *left*, on the outside of the conference table, are Harry P. Seward, Jr., Bankers Life Insurance Co. of Nebraska; John R. McCown and John A. Freeman, also at Bankers Life; Dale E. Janssen, Security Mutual Life Insurance Co.; W. S. McPherson, Lincoln Steel; Carolynn Adams, National Bank of Commerce of Lincoln; and Alfred W. Seward, Security Mutual.**

**Across the back of the table are, *left to right*, Standley Haight, Lincoln Steel; Myron Weil, National Bank of Commerce; and Ervin Haase, Lincoln Steel. In the front row, inside *left to right*, are G. W. Gordon and Glen Luff, Lincoln Steel, and Charles H. Thorne, Bankers Life; inside the table, in the back row, are John H. Pflug, Bankers Life; and A. B. "Jack" Goodwin and Gene Baton, National Bank of Commerce.**

**For a refresher on how these men and others are training for political action, turn to page 60 of January's BANKING, a page 54 of February, and page 57 of this issue.**

### *Florida Bankers Association 1960-61 President*

**W. R. Barnett, president, Barnett National Bank, Jacksonville, Fla.**

W. BRADDOCK HICKMAN becomes senior vice-president, Federal Reserve Bank of Cleveland, Ohio.

HAL C. KUEHL becomes vice-president, First Wisconsin National Bank, Milwaukee, Wis.; HILLER L. BECK becomes general auditor; JOHN G. ANDERSON becomes assistant auditor.

WILLIAM B. LEWIS, from vice-president to senior vice-president, Franklin National Bank of Long Island, Franklin Square, N. Y.; JAMES J. BOSHART, ROBERT T. CORRELL, both become vice-presidents.

ROY A. PERRY, executive vice-president, Industrial National Bank, Miami, Fla., also becomes trust officer.

HENRY SCHEUNEMAN becomes vice-president, Illinois State Bank of Chicago, Ill.

WILLIAM PETERSEN, vice-president, First National Bank of Boston, Mass., becomes executive vice-president of the Mutual Savings Central Fund, Inc.

FRANK H. BROWNELL, JR., retires as vice-president and senior lending officer, Seattle-First National Bank, Seattle, Wash.

HENRY L. GALPIN, board chairman, Union and New Haven (Conn.) Trust Company retires after banking career of nearly 60 years' duration.

FLOYD E. MCKEE, former Bankers Trust, New York, vice-president, joins ERWIN F. WOLFSON investment organization as a vice-president.

GEORGE H. NORTON, JR., from vice-president, Omaha (Nebr.) National Bank, to vice-president, City National Bank and Trust Company of Chicago, Ill.

### *A.B.A. Honors Arthur J. Morris*

Fifty years ago this month Fidelity Savings and Trust Company was started in Norfolk, Va., and helped open a new door to banking. It offered to lend money to people without collateral and solely upon character and earning power—a new concept in banks at that time.

It was founded by ARTHUR J. MORRIS who was honored last month at the American Bankers Association's annual Instalment Credit Conference in Chicago. In a special ceremony Morris was presented with a sculptured bronze plaque for his "pioneering in 1910 of consumer banking in the commercial banks of the United States."

At 77, MR. MORRIS is still active in banking as chairman of Financial General Corporation which has holdings in banks around the country as well as in insurance and industrial companies.

**Plaque presented to Arthur J. Morris at A.B.A. Instalment Credit Conference.**

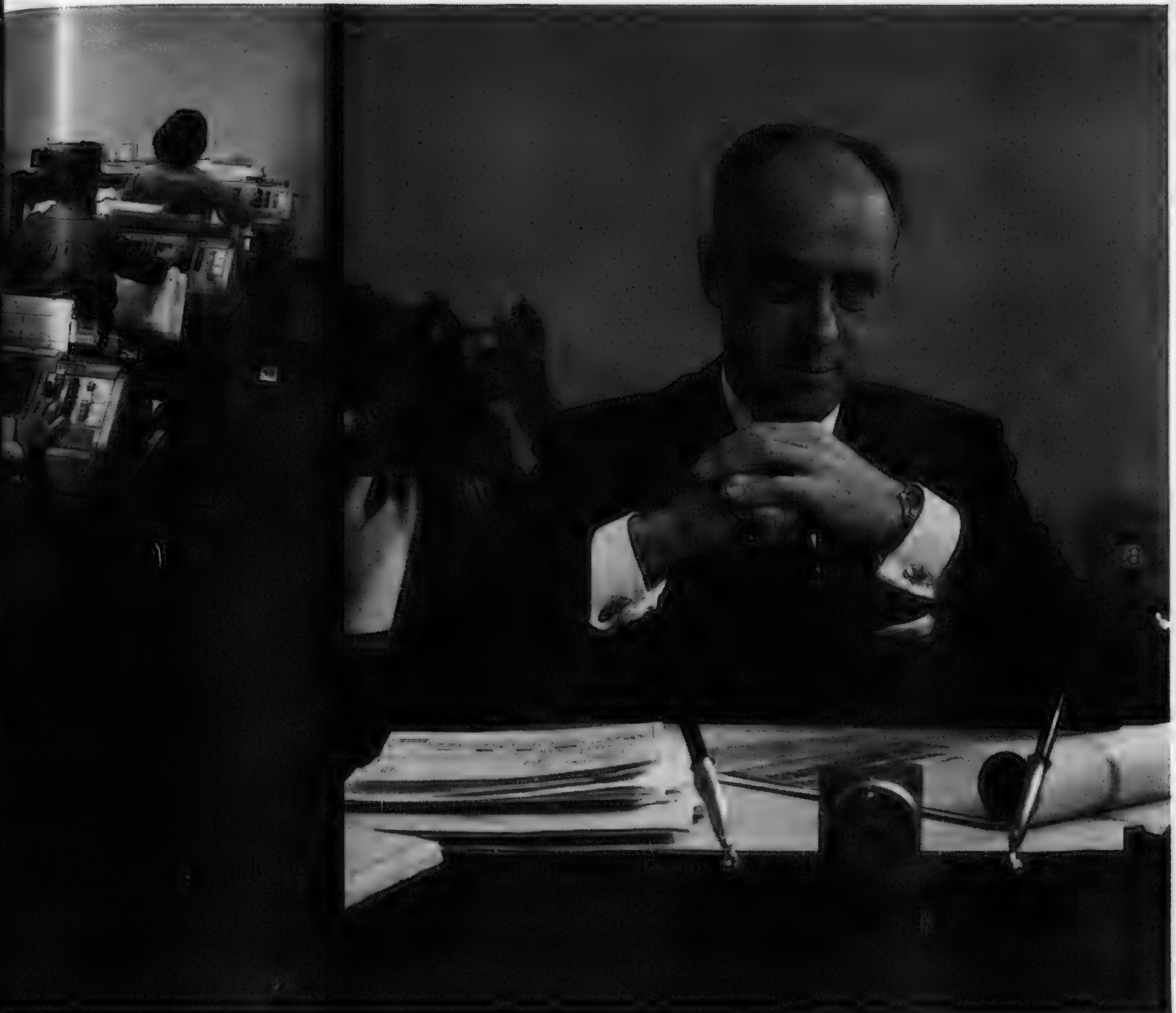
AT THE FIRST NATIONAL BANK OF MIAMI, FLORIDA,

# "OUR BURROUGHS ELECTRONIC BANK BOOKKEEPING MACHINES

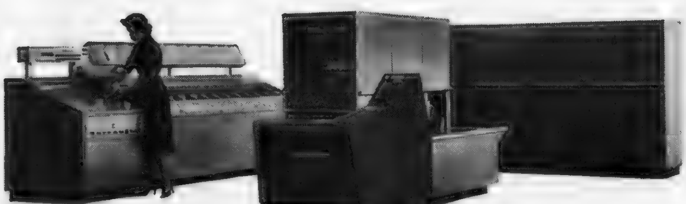
**The scene:** *the large-scale bank accounting operation at Miami's forward-looking First National Bank.* **The equipment:** *Burroughs F-4200 Electronic Bank Bookkeeping Machines.* **The results,** *according to Senior Vice-President Ray F. Basten: "This equipment, with its electronic efficiency, maintains our standard of quality while keeping pace with our rapid growth. In addition, the high level of performance has improved our control of costs and has enabled us to improve customer service.* **Tomorrow, the Visible Record Computer System:** *"As the next logical step in our program of employing advanced techniques, we have ordered Burroughs Visible Record Computer System."* **Why the VRC:** *"Through this advanced data processing system, we will realize further progress in our efforts toward improvement of operations and management control."*

*First National Bank of Miami is one of many banks helped to ever increasing levels of accounting efficiency by Burroughs advanced equipment. For details, action—and results—call our nearby branch now. Or write Burroughs Corporation, Detroit 32, Michigan.*

Burroughs and VRC—TM's







(CONTINUED FROM PAGE 24)

**About Banks**

STATE BANK OF GENESEE DEPOT, Wis., changes name and becomes KETTELL MORAINE BANK.

FULTONVILLE (N. Y.) NATIONAL BANK merges into THE NATIONAL COMMERCIAL BANK AND TRUST COMPANY OF ALBANY.

Merger, pending approvals: FIRST NATIONAL BANK, Lincoln, Nebr., and CONTINENTAL NATIONAL BANK.

UNION NATIONAL BANK OF ASHLAND, Wis., celebrates its 25th anniversary with open house to show modernized premises.

BERKS COUNTY TRUST COMPANY, Reading, Pa., announces new Muhlenberg Township office.

BANKERS TRUST COMPANY, New York City, opens its 46th office. Location: Brooklyn.

STATE BANK OF EDMORE, Mich., and STATE SAVINGS BANK, Stanton, consolidate and become MONTCALM CENTRAL BANK.

### *Banker to Head Rotary International*

**J. Edd McLaughlin, president, Security State Bank & Trust Company of Ralls, Tex., has been named president-elect of Rotary International for the 1960-61 fiscal year. He will take office on July 1**

(CONTINUED FROM PAGE 28)

BANK OF BUFFALO opens new Del-Ton Plaza office in Tonawanda, N. Y. New Sheridan-Harlem Plaza branch set for April opening.

CALIFORNIA BANK, Los Angeles, opens Monrovia office.

STATE BANK OF ALBANY, N. Y., plans merger with SARATOGA NATIONAL BANK.

MELLON NATIONAL BANK AND TRUST COMPANY, Pittsburgh, Pa., holds open house for new Penn Hills office.

FIRST THRIFT OF CALIFORNIA merges into MORRIS PLAN COMPANY OF CALIFORNIA. Merged institution now has offices in 25 California cities.

STOCKYARDS NATIONAL BANK, Wichita, Kans. opens city's first "auto bank."

VALLEY STREAM (N. Y.) NATIONAL BANK AND TRUST COMPANY and FIRST NATIONAL BANK OF GREENPORT, N. Y., announce merger. New name of NASSAU-SUFFOLK NATIONAL BANK planned.

TRUST COMPANY OF MORRIS COUNTY, N. J., breaks ground for new Denville office.

SUBURBAN TRUST COMPANY, Bladensburg, Md., opens new Kenilworth office.

THE TOOTLE NATIONAL BANK, St. Joseph, Mo. and EMPIRE TRUST COMPANY, St. Joseph, merge and become THE TOOTLE-ENRIGHT NATIONAL BANK.

PROVIDENT INSTITUTION FOR SAVINGS opens first subway savings bank in Boston, Mass.

Queensboro Chamber of Commerce presents annual building award to FLUSHING (N. Y.) SAVINGS BANK in recognition of the bank's recently completed modernization program.

FIRST NEW HAVEN NATIONAL BANK opens Milford, Conn., branch.

PEOPLES NATIONAL BANK OF NORRISTOWN, Pa., opens new branch in temporary location, a 53-ft. trailer.

FIRST NATIONAL BANK OF MINNEAPOLIS, Minn., opens for business in its new 28-story building.

### *Bank Gives Sammy A Good Steer*

Sammy Oates, age 14, borrowed the money to purchase a steer to enter in the County Fair. Sammy's Dad co-signed the note for his loan from AVON CITRUS BANK in Avon Park, Fla. Sammy and his Dad figured the steer could not only take prizes, but be sold for a good price, and carefully built a pen and shed in which to shelter and pamper Sammy's steer. One day the frisky animal scampered off by itself, and, sad to tell, wound up as premature hamburger on a nearby railroad track.

Avon Citrus Bank came to the rescue. Safeguarding their investment, and following local practice which does all it can to encourage 4-H and Future Farmers of America activity, the bank sent Roscoe Bass, pictured below, a prominent stockman of the area and one of the bank's directors, out to replenish Sammy's herd. Sammy's back on his feet now, and everyone is happy about Avon Bank's helping hand.

**Sammy, his banker, and his steer**

(CONTINUED FROM PAGE 30)

BANK OF GRANITE, Granite Falls, N. C., opens Lenoir office.

BANK OF ARLINGTON HEIGHTS, Ill., opens for business.

SECURITY NATIONAL BANK OF LONG ISLAND, N. Y., opens its Commack Corners Shopping Center office.

NATIONAL BANK OF COMMERCE Seattle, Wash., opens Greenwood branch.

VALLEY NATIONAL BANK opens South Phoenix, Ariz., office to open this summer. Eight new permanent offices are slated to open in Phoenix, Tucson, and Mesa this year; three additions to existing offices are under way.

FIRST NATIONAL BANK OF ASHLAND, Va., merges into FIRST AND MERCHANTS NATIONAL BANK OF RICHMOND, Va.

LONG ISLAND TRUST COMPANY opens new branch in Freeport, L. I.

CENTRAL INDUSTRIAL BANK, Brooklyn., N. Y., opens new branch and starts 40th Anniversary celebration.

NATIONAL NEWARK AND ESSEX BANKING COMPANY opens drive-in office in East Orange, N. J.

CITY NATIONAL BANK AND TRUST COMPANY of Chicago holds open house for newly-renovated safe deposit quarters.

NATIONAL BANK of MCKEESPORT, Pa., opens new motor bank.

WELLS FARGO BANK, San Francisco, Calif., plans merger into AMERICAN TRUST COMPANY, San Francisco.

THE CLEVELAND (Ohio) TRUST COMPANY opens Parma branch.

MOUNT PROSPECT (Ill.) STATE BANK moves into new bank building.

SOUTHMOOR BANK & TRUST COMPANY, Chicago, Ill., becomes GUARANTY BANK AND TRUST COMPANY.


PLEXIGLAS *letters and modular background panels at Bank of Old York Road, Abington, Pa. Architects: Haag & d'Entremont*

# BEST WAY TO SIGN A NAME...

# PLEXIGLAS

Powerful identification can be combined with pleasing, dignified appearance when signs are made of PLEXIGLAS® acrylic plastic.

Designed in PLEXIGLAS, signs become solid areas of color and light—clean and legible by day, completely luminous from internal lighting at night. They resist weather and breakage, cost little to maintain. PLEXIGLAS makes possible the design of signs that meet the specific identification needs of any type of business, any type of building.

We will be glad to put you in touch with sign companies in your area who are experienced in the use of PLEXIGLAS.

*Chemicals for Industry*

**ROHM & HAAS COMPANY**

WASHINGTON SQUARE, PHILADELPHIA 5, PA.

In Canada: *Rohm & Haas Company of Canada, Ltd., West Hill, Ontario*

BANKING
APRIL 1960
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

# The OUTLOOK and CONDITION OF BUSINESS

FOR a clearer picture of the business outlook, BANKING turns this month to that handy old device, "the consensus," to supplement the customary indicators, which seem to be pointing in various directions.

This is a special kind of consensus, not out of thin air, speeches, editorial opinions, or Government announcements. It comes out of a room in which the outlook was discussed with complete frankness by officers of 10 banks, three insurance companies, three investment counseling firms, two statistical organizations, an estate managing concern, and this reporter.

The meeting was held at the offices of McMullen & Hard, a New York Stock Exchange firm, and the discussion was guided by one of the nation's foremost banking leaders.

### *Business Outlook*

Business is expected to continue good for 1960, but not feverish or dangerously exciting. Developments in recent weeks have watered down some of the dream forecasts, but all indications are that business is running well ahead of 1959 and that it will continue to do so. For a quick summary of these indicators item by item, see the digest starting on the next page.

### *Federal Reserve Policy*

From a period of slack loans at the end of 1954 and early 1955, and including the slight easing in demand in 1957-1958, we have witnessed in recent years the greatest expansion of the banking system and loans in this or any other country in the history of the world. The policy of the Federal Reserve has been to hold the banking system under restraint largely through open market operations. This policy is likely to be continued until the Federal Reserve sees some indication of a decline in business.

### *Reserve Requirements*

No real progress has been made in changing the reserve requirements in the central reserve city banks (New York and Chicago). Forcing these banks to maintain greater reserves is out of date, but it is not considered politically expedient to make the change. These reserve requirements will probably continue at 18% for central city banks; 16½% for reserve city banks; and 11% for country banks.

If business declines, the rate might be reduced in the central cities.

### *The Discount Rate*

Before Christmas of 1959 all signs pointed to a rise in the discount rate. Later it was thought that the increase in the discount rate would follow the end of the steel strike, but it has not been necessary. Now for the first time in 50 to 75 years the foreign bank rates will affect our own. If the time comes when the Federal Reserve thinks it is advisable to cut the rate, they will have to consider the effect on our economy, because the balance of payments has been unfavorable to the United States, largely as the result of our giveaway programs. Therefore, if we drop the rate it may invite foreigners to take their money out of the United States and put it in other countries where the rate of return is higher.

### *The Prime Rate*

In light of general interest rates and bank loan position, the prime rate should be higher right now, but no bank wants to take the onus of putting up the rate. As some loans are renewed the prime rate is being increased so that it is being done piecemeal without any public announcement. This should continue.

### *Longer-Term Outlook for Money*

Every country in the world wants to industrialize, and this will take money—lots of money. They will try to get it from the World Bank, from the Export-Import Bank, from the United States Government, and from private investors. This should cause a worldwide long-term demand for money.

### *Bank Earnings for 1960*

Gross income should be up as much as 10% or 15%, because the fees are in good shape and all of the loans being rolled over are at higher interest rates. Expenses are up. Despite automatic machinery, expenses are difficult to get under control. The net income will be good and should be up 10% or more. Some banks might even show an increase of 20%.

### *The Federal Budget*

Estimates made by the Administration for a surplus of $200,000,000 in the budget for the year ending June 1960 are not far out of line. The surplus of $4.2-billion for the June 1961 year is unrealistic. Personal income taxes might not go up the $3.4-billion predicted in fiscal 1961, and corporation income taxes might not reach $23.5-billion, because the corporations will be paying only 100% of their taxes, whereas for fiscal 1960 they paid 110%.

On the expenditure side, the national security and agriculture items might be as much as $2-billion too low. In other words, the budget will be balanced, but by much less than $4-billion. There will be political talk of a tax cut this year, but no cut is likely. On the other hand, there is bound to be strong opposition to the boost in postal rates and the gasoline taxes. This would cut the estimated income.

### *Trust Fund and Socialization*

Figures were presented to show that the trust funds now operated by the Government in fiscal 1960 have an estimated intake of $20.7-billion and output of $21.5-billion. Estimates for fiscal 1961 are receipts of $22.5-billion and expenditures of $21.3-billion. These are staggering figures and indicate just how much socialization has gone on in the United States. Expenditures by the trust funds have tripled since 1954. Furthermore, they are expected to increase substantially from here on, due to combined increases in Social Security, Federal aid to highways, and prospects for aid to education. For the present these funds are no drain on the Federal cash budget.

### *The Cash Budget for Fiscal 1960 and 1961*

The cash budget represents the actual inflow and outgo of cash and, therefore, has a direct effect on the money market and the economy. In fiscal 1959 the excess of payments over receipts was $31.1-billion. Indications are that it will be plus or minus $0.5-billion for fiscal 1960. According to the Administration's figures, it would be a plus $5.9-billion for 1961. This figure is probably too high. A more realistic number would be a plus of between $2-billion and $3-billion.

### *Revision of the Tax Structure*

There will be a lot of talk, but little accomplished on a complete revision of the tax structure this year. Something may be done to plug loopholes. This is an election year, plus a year when the civil rights measures will be the predominant topic in Congress. There is a possibility that the self-employed pension law will be passed at this session (under this law doctors and

(CONTINUED ON PAGE 154)

# *Digest of the Business Outlook*

**LOAN DEMAND** outlook in March continued very good, reflecting good business prospects, notwithstanding some decline from late 1959 expectations. Among commercial banks the 1959 trend toward decreased securities portfolios and increased loans appears to have continued into 1960, although confirming statistics are always delayed.

**RATES** turned around after reaching a low in February. Long-term rates are up some; short-term up quite a bit.

**SAVINGS Bonds** didn't do too well in Jan.; did better in Feb. Mutual savings banks did poorly in Jan. S&Ls nationwide did fine Jan. business, but mainly on West Coast. New England S&Ls slipped back. Savings outlook is still strong, with some problems of institutional distribution. Good personal incomes promise good savings.

**FEDERAL BUDGET** performance is now in hands of Congress as well as of the economy. Action on foreign aid, farm program, aid to education, and slum clearance is still unpredictable. With business going strong, the revenue estimates still look good. March 15 will be a major test for fiscal 1960.

**INFLATION** danger, as the Administration sees it, is still there, although prices look stable. Slow upward price movement continues, but inflation psychology is in abeyance.

**GNP** up very sizably in first quarter. Not surprising after long strike. Fourth quarter 1959 was at $480B rate. President has predicted $510B for 1960.

**PERSONAL INCOME** will reflect rising employment and wages all through 1960 to set a new high. At annual rate of $393B in Jan., seasonally adjusted, is at all-time high.

**NATIONAL INCOME** will reflect high personal income, strong business spending, and expanding GNP, Washington economists anticipate.

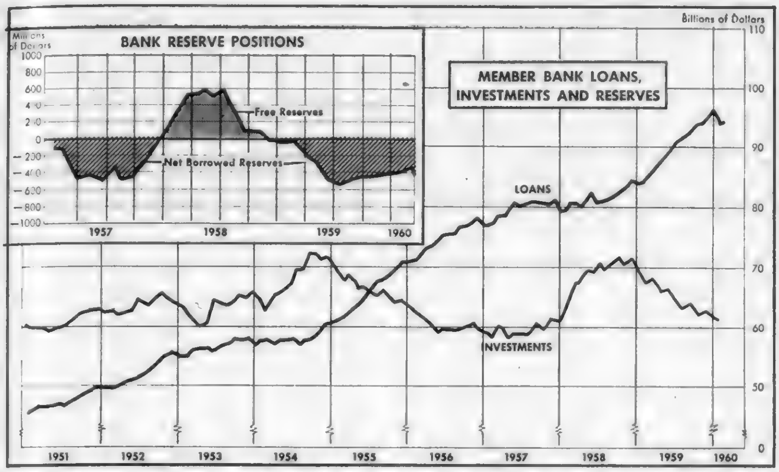
**INDUSTRIAL PRODUCTION** statisticians foresee no change in trend. Declines in some lines in near future should be offset by rises in others. The FRB's new index shows for years since 1947 we've been increasing output by 4.1% annually, whereas old index showed only 3.7%. Index reveals wider cyclical fluctuations in recent years.

**GOVERNMENT SPENDING** following level course recently. According to the Budget, it will continue so, through June anyway. Fourth quarter 1959 was slightly below 1959 first quarter, but this was offset by state and local. Latter has long-term uptrend, but this may be affected by highway cutbacks. Over-all, Government spending outlook is horizontal.

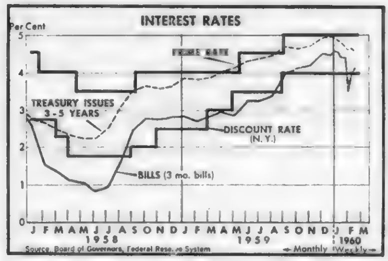
**BUSINESS SPENDING** will be up 14%, nearly $37B, exceeding 1957 peak of $36B, Commerce-SEC release says. A puzzling phenomenon: fast climb in inventories. After big January build-up, especially autos, continuance of trend may well bring production cutbacks. Watch autos and steel. Ford's talking of layoffs.

**CONSUMER SPENDING** is heavy, but not at boom rate.

# The Condition of Money and Credit



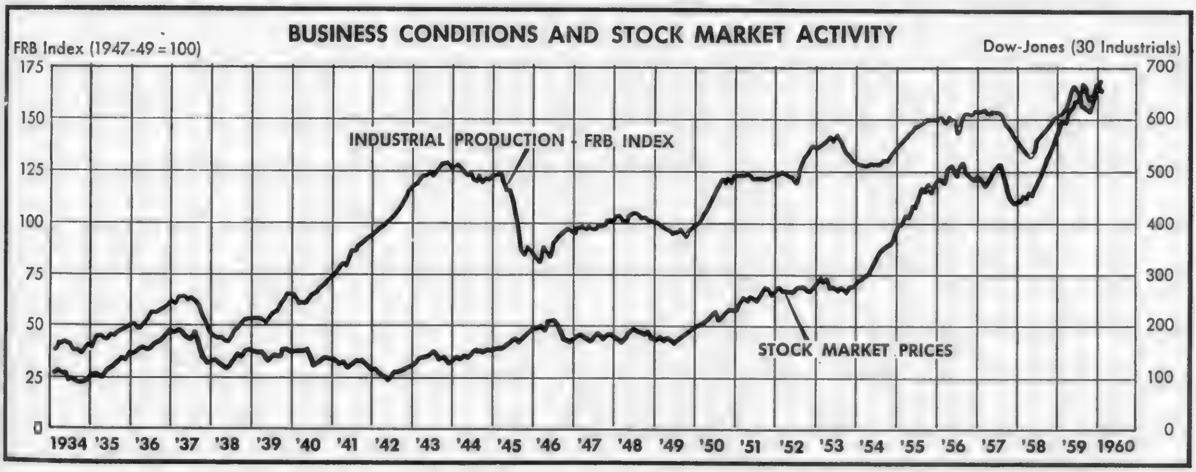

**BELOW: Interest rates rose to postwar highs in 1959 as demand for funds continued strong and growth of bank credit was restricted. Short-term money rates declined sharply early in 1960. The 91-day Treasury bill rate fell from its all-time high of 4.67% on December 21 to 3.56% on February 8. By the end of February it was up to 4.28%**




SOURCE: Board of Governors, Federal Reserve System

**ABOVE: During the last half of 1959 the Federal Reserve moderated its tight credit policy somewhat by supplying significant amounts of funds through open market operations to meet seasonal needs. The money market continued moderately tight through February. Net borrowed reserves averaged $454,000,000 in the first week of March. Any significant shift in credit policy will be visibly reflected in bank reserve positions. As long as borrowing from the Fed by banks, short of required reserves, remains greater than excess reserves of other banks, a policy of credit restraint is apparent**

**BELOW: Has the recent decline in the stock market signaled a corresponding decline in business activity? Theorists note the consistency—except during war years—with which peaks and troughs have been recorded by stock prices prior to similar changes in the level of industrial production. The correlation, in retrospect, can be seen clearly. However, the peaks and the lows in stock market prices are not recognized at the time that they occur; nor can the timing of future changes in productivity be foreseen and determined with any accuracy. Most observers remain confident that 1960 will continue to be a good year, although not as good as they had earlier anticipated. Federal Reserve Board Chairman Martin recently cautioned against the danger of placing too much economic importance in the stock market, stating "people may put it out of perspective." He attributed the recent stock market price decline to a "liquidation of inflation psychology" and to a recognition that bond yields had gone higher than stock prices**




Depends on incomes, which depend on business investment and auto business; while not especially buoyant, neither is a cutback in consumer spending indicated. True: wage hikes boost consumer incomes. But they also are a cost element. Is demand today enough to support continued wage increase?

**PRICES** are not under as much demand pressure as they might have been, following a long strike. Services still show a lively uptrend. Nonfoods not changing much. Foods follow seasonal pattern. Inflation fears have subsided considerably. Forecasters have lowered sights. 1960 may see a less than 2% rise in the consumer price index. Pressures on wholesale prices also now moderate.

**EMPLOYMENT** outlook favorable. A good sign is recent trend in unemployment claims. 1960 outlook is good, but unemployment—at 5.2%—won't get down to 1957's 4%.

# Washington

## *Monetary Matters on Capitol Hill*

HERBERT BRATTER

VIEWED from the Treasury's steps these spring days the U. S. Capitol, now undergoing extensive repairs and rebuilding, presents a picture of distant disarray. Under its temporarily red-coated dome filibustering Senators could have been found asleep at almost any hour of the day or night. In the Senate the clock and the calendar are both in suspense. In both houses the legislative process in this pre-conventions session is rather out of gear. It will be a short session, the political forecasters predict, and most bills will fall by the wayside.

What the Treasury is looking for as it peers down the avenue is some sign that the Congress will lift or ease the bothersome ceiling of 4¼% on bond coupons. Since last year the Treasury has wanted that restriction removed, but has been opposed by a majority of the Democrats on the Hill. Interest rates are very much a political issue this election year. Common sense is on the Treasury's side in this matter, but common sense is not running for re-election and the Democrats are.

Late in February the Ways and Means Committee led by Chairman Mills acceded to a 4-point compromise, with every sign that this would pass the House. The compromise would allow advance refunding yielding more than 4¼%; issuance of bonds paying above 4¼% up to 2% of the outstanding debt annually, with any unused part of this privilege being carried forward for two years; and elimination of the interest ceiling on Savings Bonds and on bonds sold to Government trust funds.

Still later, for the sake of civil rights strategy, and also because of the Senate filibuster, House action on the 4¼% ceiling was delayed. In any event, the project faces some rough treatment when it reaches the Senate. If the Senate liberals do not kill it, the formula will give the Treasury badly needed debt-management flexibility for the foreseeable future.

Should the Treasury not gain such flexibility this year, it will not be the fault of hard-working Secretary Anderson, for this conscientious Cabinet member has been almost literally knocking at doors in the Senate and House office buildings to win over votes for relief from the 4¼% limitation. And some ground seems to have been won from legislators with whom the Secretary has visited or who have taken lunch with him. Secretary Anderson arranged a special conference with AFL-CIO President George Meany in an attempt to convince the labor leader of the evils of the ceiling. Especially revealing is the fact that the Secretary asked to call on Meany in the latter's office, a tribute not only to labor's power but to the Texan's humility and dedication to his duty as he sees it.

### Market Distortions

The financial markets have been undergoing substantial realignment this year, possibly for reasons not entirely tied to the economic prospect. Business still reflects the distortions which pre-dated the steel strike as well as those that followed, but Government observers insist that the country is prospering. Banking at any rate seems in good shape. This was the consensus among FDIC examiners who gathered in Washington in early March. Earnings and deposits are up, they reported, and banking and business prospects for 1960 are viewed with optimism.

At a luncheon in Philadelphia, however, FRB Chairman Martin remarked that in the pre-spring weeks it is particularly hard to see what lies ahead. "It's perfectly clear now that business expectations have been greater than business realization" through early March, he added.

On Capitol Hill 1960 won't be a big year for banking. Prospects for the merger bill—on which more below — have improved considerably since our last issue. A non-objectionable compromise is in the air. The Justice Department would be consulted on bank mergers. While this is short of what Congressman Celler and the Justice Department want, it is at least a partial victory for them.

Hope has not been given up for enactment of the FDIC assessment bill. There seems to be very little opposition to it and House approval is a good likelihood. But in the Senate there is apathy. Senators reportedly are unaware of any support for the measure from the rank and file of bankers.

### The Softest Terms Yet

The Congress, in keeping with an American habit formed in 1945, is setting up yet another international bank, the International Development Association, which is to lend hard money on soft terms—the softest touch yet. Meanwhile the Senate hearings on the Douglas credit labeling bill have been making headlines on the really hard terms which

many American consumers have to pay for credit.

The Treasury is said to be reconsidering its adamant stand on the Keogh bill (HR 10) on retirement plans for the self-employed. Some liberalization of the minimum wage law is expected, possibly an increase to $1.10 or $1.15, and some broadening of coverage to take in big chain stores. But not before a long, hard fight in the House committee. Indeed, the Senate may act before the House does. Senate sentiment on the minimum and the coverage is far more liberal than House sentiment. Some four dozen bills are before the House subcommittee on labor standards. Both the Administration and the Congress are agreed that some liberalization should be made, for this is an election year.

### Interest-Labeling Legislation

Senate hearings on the Douglas interest disclosure bill described in BANKING start in March. Under the bill persons to whom credit is extended would have to be given in writing (1) the total amount of finance charges contracted to be paid and (2) its percentage relationship to the outstanding balance expressed in simple annual interest. Senator Douglas explains: "In too many instances today, the consumer who signs a document that places him in debt would have to be a lawyer to understand the fine print that spells out his rights and liabilities, and he would have to be an accountant or an expert in higher mathematics to compute the cost of the credit in simple annual terms. . . . True annual rates running as high as 30% to 40% are camouflaged in terms of rates which are seemingly modest because they are stated as monthly rather than annual rates, and further disguised in the form of fees, charges, discounts, and the like, all of which make up the true cost of credit to the consumer."

Obviously the banks are not the main target of S.2755, but the hearings will air the practices of banks as well as others. The matter has been under study by the A.B.A. Instalment Credit Commission. There is no A.B.A. opposition to S.2755's basic aim. Most states already require banks and other lenders to set forth in detail interest rates and financing charges in connection with consumer instalment loans. Reducing all these to a percent per annum, however, might raise mechanical problems. The bill's opponents, who are not banks but chiefly consumer finance and mail order houses, may give S.2755 tough sledding on the floor. They maintain that the states alone should regulate this matter.

What amendments in language S.2755 will undergo in committee and its legislative fate in Senate and House in this election year we venture not to guess. But several days of hearings will, as Senator A. Willis Robertson has said, develop the subject and give "a clearer picture . . . from a national standpoint, to determine whether this is a national evil."

### Regulation U "Unclarified"

Effective March 8 an amendment to the Federal Reserve Board's Regulation U restores the language of that regulation to the way it stood up to June 15, 1959. At issue is the treatment of bank loans for the purpose of carrying a stock registered on a national securities exchange. The 1959 clarification proved administratively difficult if not impossible to enforce. Effective March 8 the pertinent language reads:

§ 221.3 *Miscellaneous provisions.*

(b) (1) No loan, however it may be secured, need be treated as a loan for the purpose of "carrying" a stock registered on a national securities exchange unless the purpose of the loan is to enable the borrower to reduce or retire indebtedness which was originally incurred to purchase such a stock, or if he be a broker or dealer, to carry such stocks for customers.

2a. The purpose of this amendment is to restore the language of paragraph (b) (1) of section 221.3 as it stood before June 15, 1959, in order to avoid administrative problems arising under the provision that has been in effect since that date. However, the Board is concerned with evasive extensions of bank credit for the purpose of carrying registered stocks and expects banks to be alert in detecting and preventing attempts to circumvent the basic purposes of this part.

### Treasury Financing

What the Congress ultimately will legislate on the 4¼% ceiling on Treasury bonds still cannot be predicted. Should the Ways and Means Committee's compromise formula be adopted, reasonably soon thereafter the Treasury may be expected to do some advance refunding, provided the market is right. Possible candidates include the wartime 2½s of 1962-67 and 1967-72, the 2½s of 1961 and 1963, the 2 5/8s of 1965, and so on.

But, as we write, the chances of early action are slim. Liberal Democrats in the House are reported seeking a vote postponement.

By April 1 the Treasury probably will have announced its April cash financing plans and what it intends to do about the $2-billion April 15 bill maturity. Next, towards the end of April, it will reveal the terms for refunding three May 15 maturities. These include $1.3-billion of 4% certificates, $2.4-billion of 3½% notes and $2.7-billion of 3¼% notes. Of the total of $6.4-billion, $6-billion is held by the public and the rest by U. S.

**"If this keeps up, I'm going co-op and get out from under this load!"**


ROBINSON IN THE INDIANAPOLIS NEWS

Government investment accounts and the Fed.

Secretary Anderson wrote in mid-February to Rep. Thomas B. Curtis regarding the Treasury's experience with the sale of new 1-year bills at auction. The Secretary stated that "we are convinced that such experience casts serious doubts on the advisability of an early extension of the auction technique to the sale of longer-term Treasury securities."

Debt management continues to be a hot topic on Capitol Hill. Merely answering Congressional questions has kept the Treasury busy. As we go to the printer, the Treasury is studying a new set of questions received from Congressman Wright Patman. For light on some earlier Patman questions, see page 46.

### Sienkiewicz Speaks for A.B.A.

During the Senate hearings in late February Casimir A. Sienkiewicz, president of the Central-Penn National Bank of Philadelphia, urged the A.B.A.'s view that Congress should recognize general price stability as an explicit objective of the Employment Act of 1946. But he opposed other proposals for amending that act. Mr. Sienkiewicz is chairman of the A.B.A.'s Committee for Economic Growth Without Inflation. The 1946 act as it now stands, he said, leaves it open to the interpretation that avoidance of inflation may be less important than the maintenance of high levels of output and employment.

"We believe it is essential to maintain the value of our dollar reasonably stable at home and to sustain confidence in its integrity abroad. Amending the Employment Act to recognize this objective would in itself be a contribution toward achieving it," he said. But the pending proposals to require inclusion in the President's economic report of recommendations on monetary and credit policy "are not feasible and would have the undesirable effect of altering the present position of the Federal Reserve Board within the Federal Government. . . . No one is wise enough to foresee the future with sufficient precision to say how monetary policy should be modified six or eight months from now or, for that matter, even one month from now."

In the A.B.A. view, any such annual recommendations by the President would almost inevitably result in more unstable and volatile money and capital markets, with attendant disorganizing effects on the economy as a whole. Moreover, it would be a serious mistake to modify the present responsibility of the Fed to the Congress in the direction of subjecting it to greater influence by the Executive.

Mr. Sienkiewicz also criticized the proposal in S. 2382 for public hearings on price and wage increases.

### FDIC Assessment Bill

Although the FDIC assessment bill's handling by the House committee was delayed during the early weeks of this year for obscure reasons, there seems to be no great objection to it, and the outlook, as we go to press, is for favorable treatment in the house. Hearings, presumably some time in March, were expected to be short, and no trouble on the floor is anticipated. Under the bill there will be four call reports a year, two in each semester; and these will give all the information needed for FDIC assessment purposes. The present complicated assessment procedure is simplified. Under the bill the assessment base would be determined by averaging the deposits shown on the two call reports in each half year and deducting therefrom 16⅔% of demand deposits and 1% of time deposits. These percentage deductions are designed to take care of float.

Whereas now 60% of the assessments are returned to the banks, under the bill 66 2/3% would be returned, after the FDIC has paid off losses and administrative costs. Of the 13,300 insured banks, only eight would have to pay more under the bill than they presently pay. Of these, four will find the increases only nominal and, of the other four banks, two favor a larger assessment credit than the bill provides. Hence, the FDIC considers the measure noncontroversial. FDIC had the bill introduced last year to give the banks plenty of time to ponder it. FDIC is satisfied that the bill has the overwhelming approval of the banks, the A.B.A., the Comptroller, and the Fed.

Action in the Senate will await disposal by the House. In the light of its experience with the Financial Institutions Act, the Senate is avoiding taking the initiative in banking legislation. Sen. Robertson, however, has pending his bill, S. 2609, the first part of which is identical with the Spence and Kilburn FDIC bills, HR 8916 and HR 8928. The other part embodies certain noncontroversial "housekeeping" provisions taken from the ill-fated Financial Institutions Act.

### Merger Legislation

There are fair prospects for completion of consideration of the merger bill S. 1062 by the House Banking and Currency Committee during March. A subcommittee has voted for the favorable reporting of the bill, conferences having worked out compromise wording. The legislation, which has passed the Senate three times, would designate competition as a factor to be taken into account by supervisory agencies in considering mergers of banks.

The compromise is said to get away from the words "unduly" and "substantially," listing criteria to be taken into consideration including "competition," but in a way to make clear that the latter is not an overriding consideration. Rather it would be considered as only one of several criteria.

During the House hearings in February the A.B.A. endorsed the bill as it passed the Senate last year. President John W. Remington—who also heads the Lincoln-Rochester Trust Company—noted that banking, being vested with a public interest, has long been regulated and supervised by specialized agencies and that in this supervision the "competitive phases" have not been overlooked. The bill, S. 1062, would require the supervisory agency ruling on a merger application to consider, among other things, whether the effect may be to lessen competition unduly or tend unduly to create a monopoly, to consult the other two agencies on competitive aspects, and, excepting in emergency situations, to request a report from the Attorney General on the competitive factors.

"The bill would, therefore, write into the banking laws an express competitive test which each banking agency would be required to apply in conjunction with the banking tests in determining whether to grant or withhold approval of any proposed merger, consolidation or assumption transaction," Mr. Remington testified. "Also, the bill requires consultation among these agencies to develop uniform stand-

ards, which we believe to be most important. In our opinion, it is wrong to assess any proposed bank merger . . ., small or large, solely on the basis of an isolated competitive test, and this would be particularly unfortunate if the agency administering the test were unfamiliar with the banking industry and inexperienced in its regulation and supervision."

The A.B.A. spokesman called "unsound" proposals to vest authority over bank mergers in the Justice Department. Under S. 1062, while the authority remains with the bank supervisory agencies, the Justice Department's experience with the antitrust laws will be made available to the banking agencies. Under certain circumstances bank mergers, while lessening competition, may yet be in the interest of the public and of sound banking, the witness advised the Congressmen.

### Sparkman on Government's Housing Role

At the A.B.A.'s annual Savings and Mortgage Conference in New York in March, Sen. John Sparkman described the Government as doing in housing what "people . . . need to have done" and "cannot do at all, or cannot do so well for themselves." The Government, he said, has a responsibility to "provide assistance necessary to achieve agreed-upon solutions where achievement cannot or will not be realized without Federal help."

Sen. Sparkman holds that a stable and annually rising housing production is a necessary goal; that stability would surely reduce inefficiencies and thereby reduce costs and benefit industries which supply housing components. These producers and suppliers could surely achieve economies "if they could depend upon a flow of credit adequate to sustain a predictable and constantly rising volume of residential construction." The Senator doubts that adequate private funds will be allocated to finance veterans' homes, housing for the elderly, and college housing. Hence he advocates direct Government lending. "I would wager that there is not a banker in this audience who has encountered investment problems caused by these relatively minor Federal programs," the Alabaman stated. "On the contrary, I would suppose that banking activities have been increased by the stimulation to business attributable to these long-term Federal investments."

The Federal programs have not been excessively costly; nor have they been inflationary, the Senator added.

### Mortgage Loan Ratios

In mortgage lending, while the loan-to-value ratio is always important, its importance tends to diminish in direct relation to the soundness of a bank's mortgage loan policies, particularly its adherence to reasonable credit standards relative to a borrower's ability to service a loan, according to Deputy Comptroller of the Currency L. A. Jennings. "Experience clearly proves that excessive reliance on even seemingly generous loan-to-value ratios is unsound," he told the A.B.A. Savings and Mortgage Conference.

National banks may lend from 50% to 75% of appraised value, the usual loan being 66 2/3%. State banking limitations vary considerably, Mr. Jennings reported. Twenty-four states place no limitation. Six limit the ratio to 60%, 11 authorize loans up to 66 2/3% of appraised value, and the remaining nine authorize various combinations ranging up to 85%.

Federal savings and loan associations may lend up to 90% on a home already built to be occupied by the borrower, with full amortization over 25 years. In 23 states state-chartered S&Ls are subject to no statutory loan-to-value limitation. Mutual savings banks are limited to ratios from 60% to 90%. All the foregoing relate to conventional mortgage loans. FHA and VA loans are believed exempt from such restrictions in all jurisdictions.

Mr. Jennings holds it to be "undesirable and unrealistic for identical types of financial institutions to have differing statutory loan-to-value ratios." But, he adds, "apart from competitive considerations between identical types of financial institutions, it is not my view that differing . . . ratio requirements have been an adverse factor of any consequence in the conventional mortgage field."

### "Tight Money" and Bank Loans

A few weeks ago in a floor speech, Chairman Robertson of the Banking and Currency Committee instructed the Senate with Federal Reserve Board replies to some two-score questions on money. One of these dealt with bank lending during postwar periods of tight money. Statistics developed by the Board show that during the postwar years bank

(CONTINUED ON PAGE 137)

A.B.A.

### *The Money Market*

AN uncertainty about the stability in the value of the dollar is caused by the interest ceiling on longer-term Treasury issues. The fact that the Treasury is prevented from issuing longer-term securities, and is required to do all its financing in short-term, "near-money" issues has caused great concern in the mind of the general public about the danger of further inflation. If the Treasury were given authority to sell some longer-term bonds and to engage in advance refunding without being hamstrung by an interest ceiling, this in itself would not cause interest rates to rise further, as some have contended. Actually, because it would remove a powerful source of worry about further inroads in the value of the dollar, it would contribute to a lower general level of interest rates. In my opinion, all who desire to see an end to rising interest rates should support the efforts of the U. S. Treasury to regain the right to manage the Federal debt and to carry out its financing in the soundest possible way, which means that the restriction of the interest ceiling should be eliminated. I am hopeful that the Congress will take action along the lines of the Ways and Means Committee plan.—DR. JAMES J. O'LEARY, *director of economic research, Life Insurance Association of America, New York, speaking at the A.B.A. Savings and Mortgage Conference.*

# Challenge and Opportunity in Urban Renewal

## *Bankers Have a Significant Part to Play as They Have Already Done in American Housing*

NORMAN P. MASON
U. S. Housing Administrator

THE American housing story is an amazing one. As we travel around our country we catch glimpses of it in the shape of the suburban developments that now ring all our cities and reach far into the countryside. We get another glimpse when we look at the statistics—more than 1,000,000 housing starts a year for the last 11 years. Or just considering the case of 1959, 1,380,000 starts and $23.3-billion spent on home construction—which does not include a further $7-billion spent for maintenance and repairs.

### "Unbelievable" to Others

We get a further glimpse of the story from the character of some of the foreign reactions to our accomplishments. When a standard type of American home in the $13,500 range, familiar to millions of families over here, was exhibited recently in Moscow, the Russian controlled press denounced it as a fake—they didn't want the Russian people to believe such wonderful (to them) housing could be in general use in a capitalist country.

Still more recently, in fact this February, an American home in the $26,000 range on exhibit in London drew incredulous comments from many onlookers who concluded it must be exclusively for millionaires.

The commercial banks have played a significant role in this story, not only in regard to housing as such, but in assisting the building of good communities that are so essential to good housing—which means schools, sewers, roads, utilities, and so on.

A capsule description of this role was given by John W. Remington, president of the American Bankers Association, when he spoke in January in Chicago to the National Association of Home Builders convention, and I should like to quote him here:

**"In addition to financing about 20% of all residential mortgage credit, the commercial banks are also very active in financing the credit requirements of local government. In June of last year [1958], the outstanding debt of state and local government was about $55-billion. Of this the largest part (about $40-billion) were local obligations. Much of this debt was used to finance our schools, roads, sewers, and other projects necessary to the growth of the community. The commercial banks held nearly 30% of it, or about $16-billion, mutual savings banks held a little more than 1%, or $0.7-billion, and savings and loan associations about 2%, or $1.1-billion."**

I have touched on the housing story, viewed over-all, because it is something to keep in perspective in connection with that aspect of it which is a center of public discussion today—urban renewal.

### Cities Did Not Benefit

Speaking generally, our cities have not been the beneficiaries of the housing success story. A mass exodus from cities has been taking place for a number of years. The reasons are too well known to detail; they were summed up in a few sentences in the now celebrated 1953 report of President Eisenhower's Advisory Committee on Housing, which subsequently led to the sweeping

#### *Urban Renewal Problem*

ONE of the most pressing and complex phases of the [urban renewal] problem is that involved in housing middle-income families.

During the next two decades, with younger people coming into the labor force, and with new family formations at substantially higher rates of growth, it is imperative that housing be produced which they can afford. Even today, middle-income families which are well established from the standpoint of employment and financial responsibilities have great difficulty qualifying creditwise for the purchase of a new house or to meet rental requirements in apartment dwellings.

In my opinion, this is the major housing problem area for the next two decades and probably beyond. It would further seem to me that in any urban redevelopment project, high priority should be given to providing middle-income housing. Undoubtedly to provide such housing, tax subsidies and land 'write-downs' will be required in almost every instance. Industrial, business, and civic leaders should lend vigorous support to solving this problem.—HARRY HELD, *senior vice-president, The Bowery Savings Bank, New York, and member, Committee on FHA Mortgages, A.B.A., at the Savings and Mortgage Conference.*

changes in the Housing Act of 1954: "... **our cities are caught in a descending spiral which leads to widespread municipal insolvency. The accumulated and continuing spread of blight eats away at the assessable base of the cities. . . . More blight, more demand for services, less revenues to meet the demand—that is the downward spiral in American cities.**"

Such was the problem; such remains the problem, although in the intervening years tremendous progress has been made.

### Solutions Have Changed

Our views on how to meet the problem have undergone many transitions.

As late as a decade ago many experts thought that the answer to declining cities was simply to bulldoze out some of the bad spots and do a rebuilding job aided by Federal funds. Since then we have traveled a long way. We now know that our approach has to be comprehensive.

In addition to slum clearance, it has to encompass slum *prevention* through housing code enforcement; dynamic *local leadership,* and the *rehabilitation* and *restoration* of neighborhoods worth saving.

A most encouraging sign is that this knowledge is being translated into action on an accelerating scale. City after city has come to realize that code enforcement is not a matter of lip service but it is essential—note developments in New York City as just one example. And for our part in the Housing Agency we are fulfilling our role as a catalyst by strengthening the requirements for the Workable Program for Community Improvement. (Federal participation is predicated on a community having a workable program.)

In city after city business leaders, with commercial bankers often in the forefront, are putting their talents and sometimes the resources of their companies behind community renewal. What has happened in Pittsburgh under the leadership of Richard Mellon is history. But the story is being, or has been, repeated in cities such as Cleveland, Kansas City, St. Louis, Baltimore, Philadelphia, Rochester, Oakland, Norfolk—space forbids a detailed listing.

Finally, our business leaders are turning their attention to one of the most ticklish problems, technical and otherwise, confronting us—the rehabilitation and restoration of neighborhoods.

### Many Are Involved

The process of rehabilitation presents unusual complications. The local government is involved through taxes, health, building and code enforcement services. A landlord is involved. A tenant or tenants may be involved. Long-time owners may be involved.

A block, an area, a neighborhood are involved. Federal housing agencies may be and usually are involved. A builder and a lending agency are involved.

In the notable case of one city—Cleveland—the commercial bankers have set a fine example by creating a committee to assist with rehabilitation on a practical basis—and it is precisely this type of leadership that holds out such hope for the future.

Just as the commercial banks have played a significant part in the success story of American housing, so they now have a golden opportunity to make a contribution by meeting the great challenge presented by our cities.

### The Banker's Role

They can do this not only by exercising leadership in their respective communities, personal as well as corporate, but by giving as much study to the problems of community renewal as they have given, and are giving, to the many facets of the housing industry and market.

We need the same types of ingenious solutions, imaginative approaches and new devices to aid our cities that private enterprise habitually comes up with to assure its own progress.

With your cooperation I feel sure we will get them.

---

## *11-Point Program Planned by A.B.A. Savings Management-Operations Group*

THE Committee on Savings Management and Operations of the Savings and Mortgage Division of the American Bankers Association will be active during 1960 on an 11-point program to explore and develop equipment, methods, systems, and procedures to improve the efficiency and effectiveness of savings operations in banks, according to Leonard P. Chamberlain, chairman of the committee, who is vice-president, The Provident Institution for Savings, Boston. The plan for committee operations this year was adopted at a recent meeting in New York.

### An Important Function . . .

It is intended that the committee shall function as a clinic for answering specific questions posed by member banks. It will maintain active cooperative relationships with other groups such as The Association for Bank Audit, Control and Operation; state bankers associations; and specialists in banking; as well as bank equipment manufacturers.

Among specific projects to be considered by the committee during the year will be a study of automation of savings operations through use of magnetic ink characters and optical scanning, a study of the various techniques of signature verification, a study of methods available for communication between principal offices and branches in savings operations, a study of equipment presently available covering anticipated changes to aid banks in planning modernization and building programs.

### . . . and Other Activities

Also planned is the continued liaison with manufacturers for the purpose of keeping member banks informed on current equipment and development projects, the formulation of a savings account analysis procedure which will permit bank management to analyze operations of banks of related sizes for comparative review, a compilation of methods and procedures currently being used in computing and paying interest on savings deposits, analysis of "no passbook" savings accounts, and a study of the feasibility of cooperative automation in savings operations as it might be used by groups of banks.

# BETTER METHODS & SYSTEMS

## Centralized Accounting

### *How It Works as an Automated Mortgage System in a Big Bank*

AN experience of nearly four years in operating a centralized automated mortgage system for the 60 offices of Mellon National Bank & Trust Company, Pittsburgh, demonstrates the feasibility of either cooperative or service bureau centers for groups of banks, said Raymond C. Kolb, Mellon vice-president, at the A.B.A. Savings and Mortgage Conference.

The bank's offices are located up to 60 miles from the computing center, and the fact that the system has operated so long is "ample evidence of its effectiveness," Mr. Kolb said.

"Our automated mortgage procedures operate within a management philosophy of maintaining decision-making authority and responsibility decentralized despite the fact that routine clerical tasks are performed electronically at a central location. This, as we see it, simulates what would be required in a cooperative or service bureau automation center processing work for several nonrelated banks."

Mellon requires submission of a commitment record as soon as a commitment is made. This permits fairly accurate forecasts of future mortgage money requirements.

#### *Tabulating Cards*

"Our input to the computer is in the form of tabulating cards," he explained, "and we have so designed our system that all input information is in the form of these cards. No change is made in the basic mortgage balance file—which now consists of one punch-card for each loan and will eventually be magnetic tape without a coupon tabulating card being applied through the computer."

Funds received as payments, including inaccurate amounts, are processed without special manual handling. The only record sent to customers, other than copies of account billings, is an annual statement mailed prior to January 10.

In Mr. Kolb's opinion, Mellon's experience "bodes well for the success of cooperative automation ventures or use of the facilities of service bureaus."

### *Cooperation Can Be Far Less Costly Than "By Yourself" Methods*

COOPERATIVE centralized accounting "seems like a good first step" in the direction of the best and most economical methods, Leonard P. Chamberlain, vice-president, The Provident Institution for Savings, Boston, told the Conference.

"Large and small servicing centers operated for a profit are now in being and willing to take on bank accounting," he said. "In fact, some are already servicing banks, and with great success."

Looking at some of the so-called drawbacks to centralized accounting, Mr. Chamberlain mentioned communications. However, this problem, he said, had been solved by new techniques and communication equipment.

#### *Standardization "Hazard" Just a Theory*

Standardization of accounting procedures for several banks has also seemed to be a difficult hazard, although it's existed "only in theory." Mr. Chamberlain said he knew of three banks that have agreed on a standardized approach, and that all were well satisfied.

As for the confidential nature of accounting records, this too is only theory, the speaker reported. If computers are used as a storage media for accounting records, one has to print out the data to be able to read it; and if the center was created for the processing of data, it has equal responsibility to all participating banks.

"If banks would only look at this type of venture realistically and forget the anticipated hazards mentioned, they would, I am certain, find it far less costly than their present methods of doing it all by themselves.

"I predict that some time in the future large organizations will process all accounting for the real small businessman. In other words, they will sell their services just the same as utilities now function."

#### *O.K., P.O.—and Thanks!*

YOU *know what they say about the mail going through, regardless. . . .*

*The other day the Murray Hill branch of the U. S. Post office, New York City, received a letter addressed:*

**Common Machine Language**
**12 East 36th Street**
**New York 16, New York**

*Probably a clerk or two did some head-scratching or conferring. Anyway, the piece was delievered to the American Bankers Association at that address, and then went to Melvin C. Miller, secretary of the Bank Management Commission, which has charge of the magnetic ink matters.*

*Apparently even the Post Office knows about it!*

# Preparing for Automation

THE ABC Bank is considering automation for its savings and/or mortgage operations. What are some of the questions it should ask and answer?

Many of them were raised by Dr. F. Byers Miller, executive director of NABAC, The Association for Bank Audit, Control, and Operation, in a talk at the A.B.A. Savings and Mortgage Conference in New York. Here they are, as applied to a hypothetical bank.

1. **Can customer service be maintained at its current speed and present level of quality?** Do we want to increase customer services or improve them? If so, how and at what cost? What will be the impact of the equipment upon such service? In connection with the problem of customer service, many banks are concerned with the problem of teller specialization and the number of tellers needed to handle varying volumes of activity. There is the basic problem of how long the customer will stand in line before taking his business elsewhere.

At the present time the research staff of NABAC is attacking this problem by applying the "queuing theory" or waiting-line theory to time and volume data secured from numerous banks. More efficient utilization of personnel and better service should result from these studies.

### *Account Numbering*

2. **Are all accounts numbered?** If not, what will it cost to get them numbered? How long will it take? Will the numbering system currently in use or to be adopted be compatible with the device to be installed two years from now, or will it require another number system or internal conversion? What is the best system? What will it cost us?

3. **Until numbered or prequalified media reaching us for processing reach a high percentage, the coding and qualifying of these uncontrolled items adds a burden to the system that may make it unfeasible.** What is this percentage? When will we reach it? What is the experience of other banks?

4. **In a commercial bank, what is the compatibility of the proposed system and equipment for an integrated banking system?** High-cost equipment must be utilized nearly full time. Can this be done? How?

5. **What can be done and at what cost to utilize such equipment for processing large volumes of original media for loan payments?** Present automatic sorting equipment is based upon MICR number coding and limited document size.

6. **Will balances on existing accounts have to be transferred to new records?** How long will this take? How will it interfere with customer services? What will it cost?

7. **What forms are made obsolete?** What is the cost of new forms? What, if any, is the salvage value of obsolete forms?

### *Physical Changes*

8. **What physical changes are necessary to accommodate the equipment?** Such factors as structural changes, electrical wiring requirements, and air conditioning must be considered.

9. **What will happen to displaced personnel?** Must we secure skilled electronics personnel at higher salaries? Are they available? Can we keep them if we get them? If higher salaries are required, what will be the impact on the general salary structure of the bank?

10. **What happens when the fully automated system goes "off the air?"** How about service and standby equipment?

11. **What happens if our projected processing time is wrong by 50%?** How do we avoid this occurrence?

### *The Cost*

12. **What will it cost to operate a complete complement of equipment?** Will the equipment be fully utilized, or will it be idle for protracted periods because of low volume days? What are the possibilities of renting excess time to other organizations?

13. **What will it cost to run parallel operations during the initial periods of installation?**

14. **What peripheral equipment will be required such as communications system, files, desks, et cetera?**

"Each of these questions must be answered," said Dr. Miller. "This is where sound, unbiased research is necessary. The research will require both time and manpower."

### *Two Good Results*

Proper preparation for automation, Dr. Miller concluded, will have either of two good results: "You may find that automation is not necessary for the most efficient operations

(CONTINUED ON PAGE 118)

## An Emergency Operating Program

### It includes bombproof, underground storage facilities

A detailed plan to assure continuity of operations in the event of a catastrophe, including nuclear attack, has been completed by The National City Bank of Cleveland. It includes a storage vault in an old mine 225 feet below a Pennsylvania mountain.

President John S. Fangboner, announcing the plan to the bank's commercial customers, said the vault already contained basic records on microfilm and duplicate records for daily operations subsequent to the monthend reports. The vault is part of an old limestone mine at Boyers, Pa., about 80 miles northeast of Pittsburgh. Operated by a storage company, it has other customers.

Mr. Fangboner said banking operations could be restored within a few hours of a catastrophe and that the entire work of the bank could be reconstructed in 60 days. Continuity of management and protection of personnel and assets, have been planned, too.

National City microfilms its daily reports or gathers carbon copies for dispatch to the mine. At the end of each working day an armored car leaves the main office, reaching the vault soon after midnight. Only five NCB persons have access permits.

The bank has a simplified manual governing operations under emergency conditions. It includes the names of people in the line of command and a detailed explanation of how to operate each department.

*Congressional Probing Throws Light on*

# Monetary Policies Relating to Banks

*These answers by Secretary Anderson and Chairman Martin to recent important and timely questions were selected by* BANKING'S *Washington correspondent, Herbert Bratter, as being particularly meaningful for bankers.*

EVER since the Employment Act of 1946 gave birth to the Joint Economic Committee, that Congressional group has understandably exhibited a continuous interest in fiscal and monetary policies. We have had the opportunity to note that the zealous pursuit of full employment and maximum economic growth is not always consonant with an equivalent adherence to sound financial policies. Thus the Secretary of the Treasury and the Federal Reserve chairman are called as witnesses before the Joint Economic Committee from time to time for oral testimony.

Thanks largely to Congressman Wright Patman (D., Texas), who has many doubts about how we arrange our public financial affairs, the Treasury and Federal Reserve Board also are occasionally presented with lengthy questionnaires. The detailed replies to Mr. Patman's latest interrogatories fill nearly 200 closely printed pages in Part 10 of the JEC's published hearings on employment, growth, and price levels. The following article seeks to present a digest of some of the questions and answers which may be of particular interest to BANKING'S readers.

## *Secretary Anderson's Comments*

### *How Commercial Bank Interest Rates Are Determined*

**In May 1959 the prime rate was raised from 4 to 4½%. Of this increase it is asked: "What would have been said about any group of wage earners who raised the price of their services by 12½% in one step?"**

THE implication that banks "administer" their lending rates without regard to competitive forces in the credit market is incorrect. The questioner ignores the fact that in 1958 the prime rate was twice lowered, reflecting easier market conditions. While banks were lowering lending rates during the recession, wage rates were actually rising. When Treasury bills are available to yield 4½%, a 4½% return on prime loans is obviously low.

For comparisons of bank rates and hourly earnings see the charts on the opposite page.

### *Excess Reserves and Bank Rates*

**After banks are given excess reserves, they do not always reduce their lending rate, and at other times several weeks go by before bank rates are reduced.**

BANKS neither immediately raise their lending rates when credit demands rise nor immediately reduce their rates when reserve positions ease. The same is true in most lines of activity. There is always the possibility that the change in demand-supply factors may be temporary. Changes in bank lending rates, like changes in prices in other lines of activity, are typically preceded by changes in other terms for customers. Before effecting reductions in loan rates, banks often first seek to rebuild liquidity positions, by getting out of debt to the Fed, increasing holdings of cash and short-term Governments, etc. Once it becomes clear that the easing of credit is not transitory, banks tend to reduce customer loan rates.

### *Allotment of Oversubscribed Issues to Commercial Banks*

**If the Treasury wants to get its issues into savers' hands, why does it allot to commercial banks a portion of oversubscribed issues?**

BANKS perform an underwriting function. Allotments to banks are limited frequently to a percentage of capital and surplus or of time deposits. Treasury issuance of bonds to commercial banks has been very modest. Analysis shows that initial commercial-bank subscriptions to new bond issues are mainly in pursuance of their underwriting function for the Treasury; and the increase in commercial bank holdings of longer-term bonds has not been commensurate with the increased volume of savings deposits over the years.

The Treasury has seriously considered adopting a policy of not allotting to commercial banks any part of an issue, all of which can be sold to savings-type investors. It knows of no occasion, however, when the Treasury has offered a new bond running 10 years or more to maturity when the amount of institutional savings demand would have been sufficient to cover the entire issue. In setting the amount of an offering the Treasury tries to estimate not only the immediate investor demand but also the demand which may develop in subsequent months. This secondary market demand, together with legitimate demand by banks for reinvestment of time deposits, gives the Treasury an idea of how much commercial bank buying would be appropriate. In any case the Treasury prefers to give at least minimum allotments to commercial banks and dealers to keep the usual channels of commercial bank underwriting and secondary distribution functioning.

## *Size and Frequency of Treasury Offerings*

**Does the Treasury plan fewer and larger offerings or smaller and more frequent ones?**

MORE frequent offerings, it is said, would materially reduce the risk of market disturbance, but frequency also disturbs the market. Greater frequency of offerings would tend further to restrict the timely and flexible application of Federal Reserve monetary policies. Additional important questions arise; e.g., when interest rates are expected to rise, Treasury marketings might be reduced and a rise in interest rates be stimulated.

## *Fed as Underwriter*

**Should the Fed be directed to buy all new Treasury issues and assume an underwriting function?**

NO. TREASURY power to borrow from the Fed should be used sparingly and only on a temporary basis. The suggested course would tend to be inflationary. Also, secondary distribution, handled today by commercial banks and dealers, can be best handled in a competitive market. For a number of reasons the Fed, which is responsible for monetary policy, should not have this proposed power put in its hands. Dealers would be reduced to order takers and the market would lose an aggressive and competitive group, involving a decrease in its scope and nationwide coverage.

To have the Fed serve as the distribution point or issuer would funnel all of a cash issue into dealers' hands, straining their resources, and put the commercial-bank underwriting function two steps removed. Moreover, Fed attempts at "underwriting" during periods when investors expect rising interest rates could easily become a large-scale support operation with highly inflationary consequences.

## *Let Fed Buy All New Issues and Raise Reserve Requirements?*

**Subsequent reduction of reserve requirements would be made contingent on banks buying the securities at a low interest yield.**

THE proposal is inconsistent with the proper use of reserve requirements as an implement of monetary policy. It seems inconceivable that reserve requirements were ever intended to be used as a threat to encourage commercial banks to buy Government securities from the Fed. A blunt tool, changes in reserve requirements do not lend themselves to temporary use. The proposal would complicate debt management.

## *A Larger Treasury Cash Balance?*

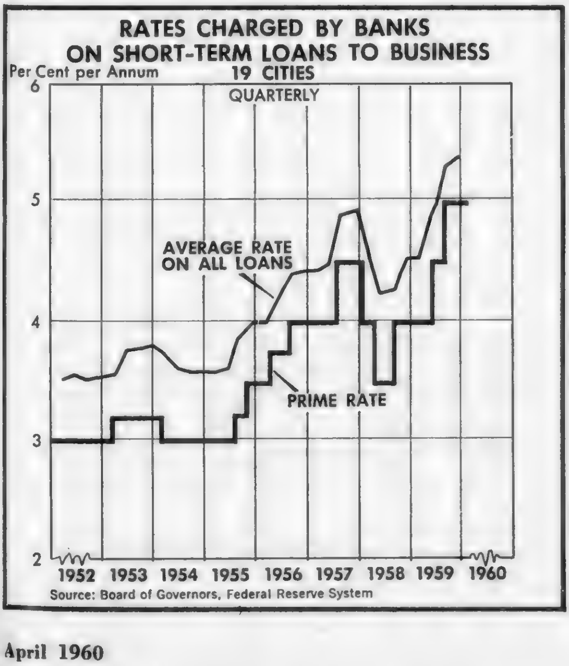
**If the Treasury carried a larger cash balance and could thus defer financings at unpropitious times, wouldn't this more than offset the cost of carrying a larger balance?**

A LARGER cash balance would give the Treasury greater leeway in debt management. The Treasury must always set off the desirability of advance borrowing against the cost of a higher balance outstanding. Cost is only part of the problem. The use of cash balances by banks, even though they are widely fluctuating balances, is to some degree an offset to the expenses which banks incur in processing subscriptions to new Treasury issues, in the handling of tax receipts, and in the sale and promotion of Savings Bonds, which services the banks now perform for the Treasury without charge. The Treasury's decision as to the adequacy of cash balances is, therefore, motivated by broad considerations.

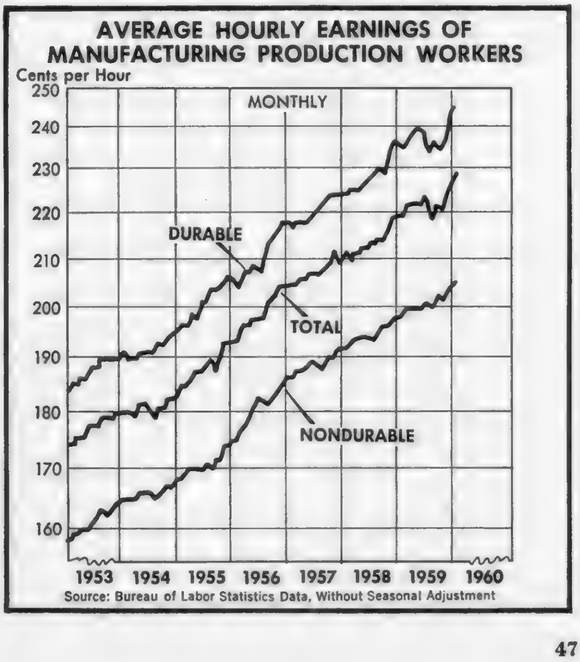
## *Tax and Loan Accounts*

**Why not move Treasury accounts promptly into the Federal Reserve banks and have the latter invest the funds in short-term securities?**

THE Treasury maintains balances in about 11,000 commercial banks. These balances arise from tax payments and subscriptions to Treasury securities. The immediate transfer of these balances to the Treasury's account with the Fed would be a very disruptive influence to the money market and the whole economy. These balances typically include funds on which the Treasury has already given the bank notice of withdrawal to be effective in a few days, so the balances banks can actually employ are often quite low. In January 1958, for example, bal-



Source: Board of Governors, Federal Reserve System



Source: Bureau of Labor Statistics Data, Without Seasonal Adjustment

ances, less outstanding calls, were less than $350,000,000 on several occasions.

Banks perform important services. Demand deposits constitute almost 80% of the nation's money supply. An overwhelming share of all subscriptions for new issues of Government securities is handled without charge by commercial banks. Without their active solicitation and processing, Treasury operations would be much more difficult and costly. In Savings Bond sales and redemption the banks also give the Treasury valuable help, often in competition with their own savings departments.

### *Disruptive Effects*

Prompt transfer of Treasury accounts to the Fed from commercial banks would cause disruptive effects. The commercial banks would have to find free reserves to cover the payments. One way would be to reduce assets by selling securities or terminating loans. The other way would be to borrow from the Fed. True, the Fed might simultaneously buy securities from the banks, but operations with 11,000 separate banks would be difficult. The effects of timing and the effects among individual banks would be very disruptive. In the case of an individual bank the funds would not flow back in even approximately the same proportion as they were withdrawn. Quite apart from the disparate effects on different banks, estimating each day's flow of funds accurately enough to permit the operation to proceed smoothly would be almost impossible. Seemingly small shifts in the reserve position of the banking system can affect short-term interest rates through the normal operation of Federal funds. The proposal would involve greater risks of wider short-term interest rate fluctuations and the possibility of disorderly markets.

Without sufficient excess reserves a commercial bank would have much less incentive to buy new Treasury securities either for its own account or for its customers, since the resultant deposit would be withdrawn immediately. Bank underwriting and secondary distribution of Treasury securities would be seriously undermined. The Treasury would face three alternatives, all of which would add to its borrowing costs: (1) paying banks commissions; (2) increasing the interest rate of new issues; (3) borrowing on a more costly, hand-to-mouth basis every few days.

### *Pay Interest on Treasury Deposits?*

IF BANKS had to pay the Government interest on tax and loan accounts, they would charge the Treasury for services now being performed free. If, for example, the banks were to charge the Treasury for all Savings Bonds that they sell, hundreds of corporations, now in the aggregate issuing millions of Savings Bonds and keeping extensive records of payroll deductions, would be likely to seek Treasury reimbursement. Similarly, all business concerns would be encouraged to ask the Government to defray their costs of withholding income and social security taxes and collecting excise taxes.

A uniform fee system would fall unequally on different banks, favoring the larger, more highly mechanized units. A fee system adjusted for cost differentials would cause controversy. And it would have to be revised from time to time.

### *Allow Interest on All Demand Deposits?*

THE prohibition of interest on demand deposits is still sound. Such interest gives rise to interbank competition, which does not create any additional deposits. If the banks were to bid competitively for demand deposits, the interest expense probably would be reflected in generally higher interest rates on bank loans, in higher service charges, or both. Even if the Fed and FDIC were authorized to set maximum rates on demand deposits, these influences would be only moderated, not eliminated. Payment of interest on tax and loan accounts probably would add to Treasury borrowing costs, being reflected in the prices banks are willing to pay for Government securities and, hence, in the coupon rate of Treasury securities.

Some commercial banks do not even accept savings or time deposits. They would be even more unwilling than the average bank to pay interest on demand deposits. Still other banks would not think it good business to accept Government deposits with their extreme volatility if they had to pay interest on them. To the extent that interest payment attracted investors to demand deposits, it would tend to increase the rates the Treasury and other borrowers would have to pay to compete.

The present system not only dispenses with this unnecessary overhead but also recognizes that it is difficult to put a price tag on intangible benefits which the Treasury now receives. Nevertheless, the Treasury last year undertook to study whether tax and loan accounts produce income to the banks in excess of the cost of the services performed for the Government without other compensation.

### *Required Reserves a Burden?*

ALTHOUGH banks are able to create several dollars of deposits for every dollar of required reserves, they are not a gift to the banks by the Fed or the Treasury, as the question implies. Banking is by no means a riskless or costless operation. Banks assume risks in loans and investments which give rise to deposits. Costs are involved in extending and administering deposit accounts. Bank stockholders are entitled to a fair return on the money they have invested.

### *Treasury Advisory Committees*

THE main function of the advisory committees is to aid the Treasury in interpreting the potential market demand for new securities as among various types of investor classes and as among different maturities of securities. The Federal Reserve System also participates in the construction of the framework on which the Secretary's ultimate decision is based. Not only the Board and its staff, but the 12 Federal Reserve banks are consulted. But it is the Secretary who fixes the terms of an issue, and these often vary from those recommended by advisory groups. The main value of the advisory committees to the Treasury lies in their discussion and advice on types of securities and marketing techniques, rather than on precise interest rates. The committees are among many sources of information which the Treasury explores. The final decision is the Treasury's alone.

The Treasury consults advisory committees representing the IBA, the A.B.A., mutual savings banks,

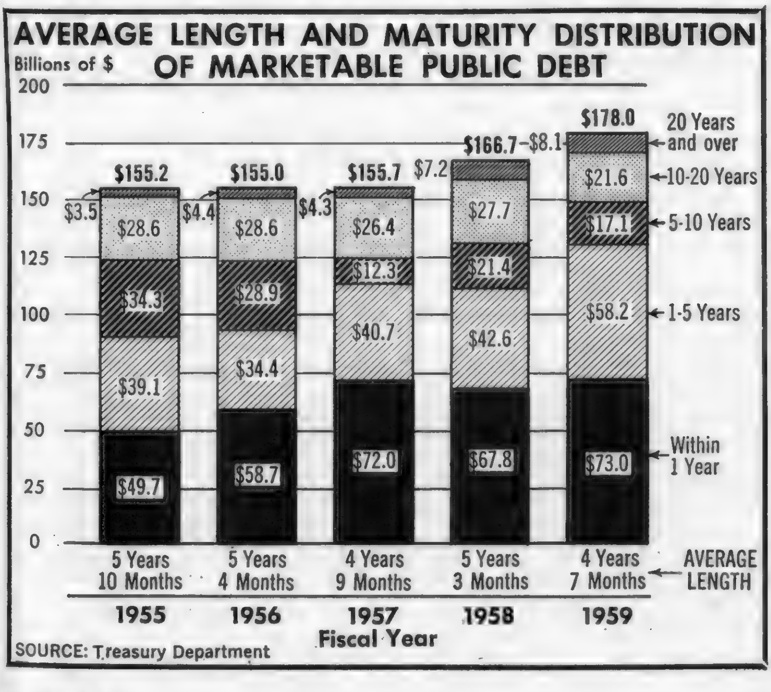
savings and loan associations, and life insurance companies. The IBA group represents the most practicable and efficient way of ascertaining the current investment practices and needs of a vast body of investor classes and is the best up-to-date source of information the Treasury has of unusual sources of demand for securities by endowment funds, foundations, mutual funds, and other groups. The A.B.A. committee supplies the Treasury with insight on bank investment practices under fluctuating credit conditions. It conveys the changing attitude of thousands of banks toward specific types of Government securities. The IBA and A.B.A. committees are asked to help clarify numerous technical questions arising in connection with Treasury offerings.

### *Inflation Inevitable?*

THE conviction that future inflation is inevitable is mistaken. The fear of inflation that seems to have taken hold during the past year is not something of very recent origin; on the contrary, it has been building up throughout the postwar period. This conviction appeared to reach a peak last summer—several months before the Administration actively began to warn against the dangers of future inflation—when the public suddenly realized that a Federal deficit of over $12-billion would have to be financed within the framework of strongly rising business. We must continue to demonstrate our determination to pursue sound financial policies.

### *Why the Debt Should Be Lengthened*

A BALANCED debt structure calls for avoiding a bunching of maturities, particularly in the short-term sector. Only thus can the Treasury keep its interest cost to a minimum. The substantial net decline in nonmarketable debt has resulted in a relatively rapid rise in the marketable debt. The problem of keeping the under-1-year debt from growing excessively is complicated by the heavy concentration of maturities in the 1- to 5-year range. The excessive issuance of short-term debt at any time tends to increase inflationary pressures. An undue dependence on short-term debt during periods of economic expansion increases the potential monetization of the debt, since short-term securities are very close to money in terms of liquidity and involve a minimum of market risk. Individuals and institutions are in a much better position to transfer these securities into cash and spend it for goods and services — thereby augmenting inflationary pressures—than if more of the Treasury debt consisted of firmly held long-term securities. To the extent that temporary holders of short-term securities liquidate them by selling to commercial banks, the inflationary impact is magnified, since bank purchases tend to increase the money supply.



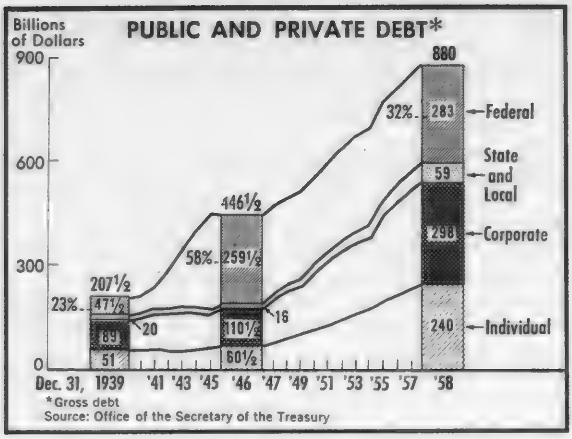

### *Auction Technique*

**Why not sell all Treasury marketable securities by this method?**

THE Treasury has been well satisfied with the auction method as applied to bills. The method has been extended in recent years. In 1951 the Treasury began selling tax anticipation bills through auction. In 1959 the auction technique was expanded to include 1-year bills. There is considerable merit in selling short-term securities by auction. But, in extending the technique to other Treasury issues, we run the risk of impairing opportunities for small and medium-size investors to buy new securities directly from the Treasury. Most small banks, corporations, associations, and individuals lack enough current background data to submit a knowledgeable bid for certificates, notes, and bonds.

Furthermore, on fixed-price issues the Treasury can more easily control the amount issued to any single investor or investor class than it could on an auction. Total subscriptions from commercial banks on medium and longer-term bonds, for example, are typically limited to a certain percentage of capital and surplus, and, on occasion, subscription limitations on other types of investors have been used. Substantial downpayments are also often required to minimize speculation. Allotments to different investor groups may vary considerably, with preference usually given to savings-type investors. The allotment procedure would be extremely difficult to use in connection with an auction; and adopting other successful marketing techniques also would be difficult.

If longer-term issues were auctioned, unlike the case with bills, professional underwriters would not face the competitive influence of primary investors. Today most new long-term securities are issued in exchange for maturing securities. If only the auction technique were used, holders of maturing issues wishing to re-invest would have to enter competitive bids and risk being left out or having to buy from a successful bidder. Competitive bidding, particularly in periods of rising interest rates, would tend to



*Gross debt
Source: Office of the Secretary of the Treasury

increase the interest cost to the taxpayer, as persons familiar with bidding techniques would submit bids at relatively low prices. If successful bids produced higher interest rates on new securities, the entire market could be upset. Treasury debt management would be impeded.

For other reasons the auction technique is objectionable. Sales by "tail" bidders for quick speculative profits could upset the market. Secondary distribution of auctioned bonds would be impaired where sale would entail a loss. Institutional portfolio managers dislike the auction method, for fear of incurring internal criticism. Basically, investors prefer issuance at par. Many prefer to "buy coupon" to maximize current income. Others prefer not to buy at a premium and get part of their capital back with each interest payment. Serious potential tax complications also are involved, because of tax-law provisions governing original issue discount. Secondary-market transactions would have different tax consequences which would tend to undermine investor confidence.

The Treasury believes the obstacles to extending the auction technique to intermediate and longer-term bonds are formidable.

It would be very difficult for the Treasury to prove any significant interest cost saving by the auction method in the short-term area. The Treasury believes it is even more unlikely that it would be able to realize lower costs in auctioning longer-term securities.

In 1934 and 1935 the auction method (or tender method) was used on a number of occasions. There followed a reduction in the amount of bids submitted, a wider spread in the bidding, a heavy concentration of bidding by New York banks and dealers, and the need for substantial market support in some cases. The experience showed a greater concentration of new issues in professional hands than is the case under the fixed-price method. Because of the greater initial concentration in the hands of banks, eventual distribution of bonds sold by auction might not be quite as widespread as under present selling methods.

## *Treasury and Interest Rates*

**Is the Treasury helpless over the interest rates it must pay?**

IT IS important to distinguish between the impact of Treasury borrowing on interest rates and the ability of the Treasury to determine the rates at which it borrows. As the largest single borrower, the Treasury influences interest rates. The Treasury, however, is not able to set the interest rate on a new issue at whatever level it desires. The Treasury cannot control investors in free credit markets.

**Because the Treasury controls a large part of the supply of issues, has it not a great deal of discretion as to the rates it can set?**

THE flow of new Government securities is largely beyond the Treasury's control. Refunding requirements and at times the Treasury's close cash position limit its flexibility in timing financings. The great volume of financings, rather than enabling the Treasury to "control" interest rates, may actually make it more difficult to effect Treasury financing in an orderly and economical manner.

## *Is a Recession the Best Time to Sell Bonds?*

DURING a recession, declining interest rates and rising bond prices would seem to provide an excellent opportunity for substantial sales of long-term Government securities. Aggressive issuance of such securities at such time, however, would run the risk of aggravating recessionary forces by absorbing too large a portion of the available supply of long-term credit, thereby reducing the amount of funds available to support homebuilding, business expansion, and state and local government projects.

(MARTIN'S COMMENTS ON PAGE 126)

### *More Advice to the Fed*

REMOVAL of the 4¼% ceiling would be rendered "academic," according to 21 liberal Democratic Senators, if the Federal Reserve Board would adopt four proposals which they made to the Board's chairman. These major reforms in money market operations, said the Liberal 21, would have the effect of bringing down interest rates.

The letter sent to Chairman Martin and sponsored by Sen. Paul H. Douglas urged:

(1) Margin requirements for trading in Government securities and regulation of dealers in Government securities.

(2) Abandonment of the "bills only" policy.

(3) Adherence to a policy of expanding the money supply "at approximately the same rate as that at which the real gross national product is growing"—3% to 4% a year.

(4) Achieving money supply expansion solely by open market purchases of Government securities, rather than by lowering reserve requirements.

Chairman Martin has indicated possible consideration of margin requirements on trading in Governments. Consensus on the Board is that all the changes combined would have no significant effect on interest rates.

# Why Not *Save* for College?

DON LESTER WAAGE

*The author is assistant manager for finance, Department of Taxation and Finance, Chamber of Commerce of the United States.*

***College loan plans have held the spotlight for some time. But this college savings plan for banks may have advantages that have been too-long overlooked.***

JUST two years ago Russia launched the first space missile and with it created a furor in the field of American public education that hasn't quieted down yet.

Congress reacted to "Sputnik" by holding hearings and then passing the National Defense Education Act of 1958. The National Defense Education Act offers direct financial assistance to the states at all levels of education, and marked the first time the Federal Government has attempted directly to influence the course of public education. The states have closely guarded the "freedom of education" prerogatives granted them by the Constitution up to the passage of the 1958 bill.

Simply put, the act provides low-interest, long-term loans for qualified, needy students. It terminates in 1962, with a provisional four-year extender, which will enable students to complete their education under the terms of the act.

## Still Need for Private Effort

While the National Defense Education Act will take care of some students, demands for privately financed higher education by young Americans will continue strong due to a substantial birth rate in the 1940s. There are about 700,000 more 18- to 24-year-olds in our population today than there were five years ago—estimates are for an additional 2½-million more five years from now.

How can financial institutions help to meet this demand for higher education? When the National Defense Education Act terminates in 1962, will private financial institutions be ready to assume the role of leader in this vital program of American education? How can financial institutions help meet this challenge?

Here are two savings plans that will realize benefits for your bank, and for the families in your community. Unlike the "birth of a baby" promotion which declares "save for your child's future" at the unrealistic age of one, this plan begins when parents can realize and find a latent desire on the part of the student to attend college.

## How It Works

Parents start monthly payments to a savings account either during September of the student's 11th grade (5½-year plan) or during the beginning of the 9th grade (7½-year plan). Each program would include an insurance policy guaranteeing college expense payments if the parent dies or becomes permanently disabled.

The college savings program could become more meaningful and attractive by furnishing the student with materials on courses offered, expenses, and other features of nearby colleges, or other helpful material regarding higher education. Periodic mailings would help maintain the parents' and prospective students' interest in the plan.

The computations use a 3% interest rate compounded quarterly (0.75% credited at the end of each calendar quarter upon the minimum balance in the account during the previous three months), and a $25 withdrawal from the first monthly deposit to pay the cost of the insurance mentioned above.

Under the 5½-year plan, monthly deposits of $61 are made to the account beginning on September 15 of the student's 11th grade, and continuing on the 15th of each month through January 15 of the student's fourth year in college. The 65 deposits of $61 each total $3,965. Interest accumulated totals $96.47.

Withdrawals for college expenses are on the basis of $1,000 per year, with $500 withdrawn on September 1 and February 1 of each year. Total withdrawals are $4,000 for the college expenses plus $25 for the insurance payment. This leaves a balance of $36.47 in the account as of February 1 of the student's senior college year.

The 7½-year program is similar, except 89 deposits of $43 each are made, beginning September 15 when the student enters the 9th grade. Total deposits are $3,827, interest accumulated is $211.33, withdrawals are $4,000 for college expenses and $25 for insurance. The closing balance would be $13.33 as of February 1 of the student's senior year in college.

### *Payment Schedules*

| *Annual Expenses* | *5½-year plan* | *7½-year plan* |
|---|---|---|
| $ 750 | $ 46.00 | $ 33.00 |
| 1,000 | 61.00 | 43.00 |
| 1,250 | 77.00 | 54.00 |
| 1,500 | 92.00 | 65.00 |
| 1,750 | 107.00 | 76.00 |
| 2,000 | 122.00 | 86.00 |
| 2,250 | 138.00 | 97.00 |
| 2,500 | 154.00 | 108.00 |

It is claimed that every year nearly 200,000 high school graduates with superior intelligence ratings end their education. Bankers can demonstrate leadership in helping solve the problem of financing higher education by setting up and vigorously promoting a private college savings plan.


# *Time to Choose and Be Right*

**JOHN L. COOLEY**

If you'd asked our title question 30 years ago, Mr. Banker, the answer would have been easy:

"Take some A.I.B. courses, or try one of the big university schools of business, commerce and/or finance. That's about it, Bud."

But the chances are you wouldn't have made that inquiry three decades ago. Education for bankers was mostly available in the "school without a campus," which the American Institute of Banking had been conducting across the country since 1900; its curriculum had broadened, with the needs of banking, to include graduate work. If you wanted to go still further, you sought one of the "name" campuses. However, with few exceptions — Wharton comes to mind — these schools were not catering to the studious banker.

In short, the massive quest for learning—the Banking Renaissance, you might well call it—was several years in the future where the idea for A.B.A.'s Graduate School of Banking gleamed in some perceptive eyes.

However, we assume that you ask *today:* "What school for me?" And today the answer is tough. Facilities for educating bankers have mushroomed like a nuclear cloud, from which there is a vast, benign fallout of opportunities for professional study at almost every academic level and in almost every area of the business. There are some 100 educational programs—"schools" is the familiar, if sometimes slightly inaccurate word for them. All in all, it's the most comprehensive equipment for professional improvement ever provided by any business anywhere.

## The Big Question

So the school to which you go—next year, we'll say, because most of this year's rosters are probably jammed by now—will be determined by many circumstances. For example, do you want a broad or a specialized program? Is geographical convenience a factor? What about your eligibility? Do you need a full-scale school or just a refresher course or two? Does your management feel that you'd be more valuable — do better work — get ahead faster—if you packed a suitcase and went to "school" for a couple of days or weeks? Putting it tersely, does the bank think you'd be worth its investment? The bank, you see, will probably be paying the bill, and thus has an interest.

Now this report will make no attempt to pick the school or program to fit even the major categories of prospective students, into one of which you presumably fall. It merely takes a broad, admittedly incomplete, but (we hope) perspective look at the banking campus, points out the types of schools, indicates the subject matter, and offers some observations that have crystalized from talks with men whose job is the education of bankers in these days of insatiable demand.

## 10,000 This Year

There are no figures on the number of students who each year take advantage of the opportunities to

*This is the first of two articles on banking education and the broad expansion of its facilities. The second, covering a report by the A.B.A. Committee to Study Banker Education Programs and providing more details on present projects, is planned for an early issue.*

study this, that and the other thing, whether basic economics or the care and feeding of a public relations department. However, 10,000 would seem to be a conservative estimate of the enrolment during this 1960 summer when most of the schools will be in session. This guess, obviously, omits the huge statistics of that granddaddy of banking education in this land, the A.I.B., which now has some 85,000 course enrolments on its chapter and study group lists.

Many students at these schools — perhaps the majority — will be bank officers; others will be candidates for the 10,000 officerships which, it has been estimated, are available each year. And you may be sure that a goodly number will be bankers who expect or hope to be among the 1,000 new presidents elected annually. A number of the schools admit women.

Now for a run-down of the programs. Our list is not complete—a precise tabulation seems next to impossible, for it would be out of date quickly. Neither does it give details; we just haven't the space. But — and please remember this — if you're interested in any of the general or special facilities mentioned, write to us. We'll see that you get an answer, either through the A.B.A. Council on Banking Education whose director is Dr. Murray G. Lee, or through the school you inquire about.

Everett D. Reese, chairman of the A.B.A. Council on Banking Education, is chairman of the board, City National Bank and Trust Co., Columbus, O., and a former president of the Association

### S.G.S.B. Was First

The pattern for today's broad program of education was set by The Graduate School of Banking established by the A.B.A. at Rutgers in 1935. Its high level plan of operation is familiar to every one in the business; many other institutions have used it as a model. The name was changed to The Stonier Graduate School of Banking in 1959 in honor of Dr. Harold Stonier, the founder.

Three new banking education projects get underway soon.

- The National Trust School, conducted by the Trust Division of the American Bankers Association, holds its first session at Northwestern University, Chicago, August 8-26.
- The Graduate School of Savings Banking, conducted by the National Association of Mutual Savings Banks, starts at Brown University, Providence, R. I., on June 19.
- The A.I.B. is planning a Senior Management Certificate, requiring a minimum of eight courses (10 for those who haven't had Effective English and Effective Speaking) plus the requirements for the current Graduate Certificate.

### The Bulging Catalog

The names of other programs (mostly specialized) are familiar to you, but will bear repeating here:

- The Seminar for Senior Bank Officers at Harvard sponsored by the Independent Bankers Association and conducted by Harvard's Institute for Financial Management.
- The NABAC School for Bank Auditors and Comptrollers, conducted by NABAC, The Association for Bank Audit, Control and Operations, at the University of Wisconsin, Madison.
- The School of Consumer Banking, conducted by the Consumer Bankers Association at the University of Virginia, Charlottesville.
- The School of Financial Public Relations, conducted by the Financial Public Relations Association at Northwestern University, Chicago.
- The School of Mortgage Banking, conducted by the Mortgage Bankers Association at Northwestern and Stanford Universities.

There are also several large, important regional schools:

- The Pacific Coast Banking School, conducted at the University of Washington, Seattle, under sponsorship of these state bankers associations: Arizona, California, Idaho, Montana, Nevada, Oregon, Utah, and Washington.
- The School of Banking at the University of Wisconsin, sponsored by the Central States Conference representing 16 state bankers associations: Arkansas, Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, and Wisconsin.
- The School of Banking of the South, conducted at Louisiana State University and sponsored by the state bankers associations of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, South Carolina, and Tennessee.

Joseph C. Welman, chairman of the Committee to Study Banker Education Programs, is president of the Bank of Kennett, Kennett, Mo. He is also a former president of the Association

• The School of Banking at Williams College, Williamstown, Mass., sponsored by the state associations of Massachusetts, Maine, Connecticut and Rhode Island.

• Southwestern Graduate School of Banking, conducted at Southern Methodist University, Dallas, and sponsored by the Dallas Clearing House Association in cooperation with Southern Methodist University.

One of the Rutgers dormitories used by Stonier Graduate School of Banking students during the summer sessions on the New Brunswick, N. J., campus

## The State Programs

Into the vast variety of educational facilities provided by other groups, notably the numerous state bankers associations, this article cannot go extensively. The format of the programs varies widely; so does the nomenclature. On the whole, "school" is the name applied conveniently to conference, short course, clinic, workshop, or seminar, as well as to a formal school, organized as such. The duration ranges from a day to two weeks. The scene is almost invariably a college or university, although some—the shorter ones—are held in hotels. The case history method of instruction is very popular.

State associations' education activities provide a wide range of general programs: bank study conference, public relations, bankers seminar, young bankers conference, bankers school for development of junior executives, bank management clinic, bank operations clinic, among others.

**Dr. William H. Baughn, University of Texas, projector director for the Committee to Study Banker Education Programs, is now compiling a survey of the many educational facilities available**

The associations' agricultural schools are listed variously as credit conference, rural and urban planning, agricultural clinic, short course, course for agricultural representatives of banks, farm credit.

The senior officer schools include: forum for bank executives, management policy conference, study conference, institute for advanced management.

There are schools for bank directors, also under state association auspices, programs for savings bankers, and income tax schools.

In some states the potential enrolment for certain subjects (usually specialized) is too small to warrant a school. The associations are to be complimented on their forward thinking and cooperative effort in establishing regional schools in which two or more associations combine forces to meet the educational needs of their member banks.

In addition, a number of individual banks offer educational programs that could qualify as schools. Some are called "economic meetings," others are for correspondents.

A few banks have arranged with local or nearby colleges to provide study courses for selected employees.

Several universities are offering bankers special opportunities for study. Among the programs are the Graduate School of Credit and Financial Management at Dartmouth, and the Commercial Bank Management Program conducted by Columbia University.

## New Directions

One of the new directions in banking education opened two years ago when the A.I.B. cooperated with the New York State Bankers Association in establishing the NYSBA Resident Institute of Banking, a 3-year program of summer resident sessions interspersed with home study, to accelerate the education of young bankers. Eligible students come from areas without chapters or study groups, or from districts where a limited schedule of courses is available. Students completing the course receive the A.I.B. standard certificate.

A similar enterprise is the Chicago Resident Institute of Banking, sponsored by the Institute's Chicago Chapter. It draws its students from local chapter banks.

Now in its fourth year is the National Association of Mutual Savings Banks' course in management development at Dartmouth, which concentrates on the humanities and social sciences.

## The A.B.A. Study

In this spring of 1960 the American Bankers Association is carrying on its basic educational job along several fronts. Particularly pertinent to the report you're reading is the work of the Committee to Study Banker Education Programs, headed by Joseph C. Welman, former president of the Association, and president of the Bank of Kennett, Mo. This group, a unit of the A.B.A. Council on Banking Education, has turned over to Dr. William H. Baughn, University of Texas, the rather formidable assignment of getting the facts about banking educa-

tion today. It includes, of course, a review of the schools, conferences, seminars, study groups, clinics, etc., conducted for varying periods of time under auspices of the state bankers associations. Dr. Baughn has long been identified with banker education as associate dean (academic) of the School of Banking of the South.

His current project, started at the request of the A.B.A. State Association Section, is well under way. In Mr. Welman's words, the objectives are "to get a clearer picture of banking's present and prospective educational needs, to match our current programs against those needs, and to determine in what directions we need to move in order to do a better job."

This study updates and supplements a compilation "Schools for Bankers Sponsored by State Bankers Associations," and published in 1957 by the A.B.A.'s State Association Section, covering in detail the then available programs, as provided by those organizations. Intended primarily for the bankers school committees of the associations, it is not only a directory but a manual on operational procedures and curriculums.

## A Bit of History

And now it might be a good idea to provide some background. After all, a knowledge of what *has* happened is considered essential to a guesstimate of what *will* happen.

So we go back 70 years. In 1890 the American Bankers Association appointed a committee to encourage bankers and businessmen to help colleges and universities establish schools of commerce and finance. With the notable exception of the Wharton School at the University of Pennsylvania, the country's facilities in this field were non-existent. The committee took a trip abroad, studied this specialized education in Europe, and came home with ideas. Eventually, it was able to help in the organization of several business schools here.

These institutions developed, but it became apparent rather quickly that comparatively few young men were attending them, and that something should be done about providing education for those who could give only part of their time to study. Along this line, a few universities experimented with extension courses in business subjects; however, banking had an inconspicuous place in the catalogs and relatively few men took the courses that were available.

## A.I.B. Groundwork

As you may remember, this growing imbalance between the supply of and the demand for educational opportunities in the banking business prompted bank clerks in several cities—Minneapolis, Buffalo, Louisville—to organize their own study classes. The programs were rather informal, but the idea had a mighty impact. To shorten the story, the American Institute of Bank Clerks (A.I.B.'s original name) developed from it in 1900. Banking education was on its way, although many years were to pass before the program spilled over from the Institute into other national banking associations, the state bankers associations, and eventually into the curriculums of colleges and universities which, in addition to cooperating with banking group sponsors, are offering their own specialized courses to bank personnel.

## A Few Bypaths

Some interesting, rewarding bypaths opened up as BANKING dipped into this story on banking education. For instance, what's the reason for the enormous growth in facilities during the last 10 or 15 years? Do banks encourage their people to study not only at banking's own schools but at the universities and colleges? What about humanities and the liberal arts—how extensively should they be included in the background of a banker facing the second half of this bulging 20th century? How do banks select the people who go to school? Has education become a fetish, a keeping-up-with-the-Joneses piece of Americana? How can the state and national bankers' associations best meet the future educational needs? (The Welman Committee Study should help with this one.)

Yes, it's a stimulating subject, one that goes quite a bit beyond the selection of a school by Johnny Jones, however important that practical angle is to him.

There's no need to comment here on the high value business has been putting on higher education during the last few decades. Nor it is necessary to predict that some day a degree may be the essential requirement for a job with any promise at all. The point is, however, that banking shares with industry this very real interest in "college men"—or perhaps, we may insert, their equivalent! Indeed, banking, familiar with the benefits of business education for the past 60 years, has been a leader, if not *the* leader, in providing opportunities. And because education, like other things, generates a terrific momentum, it has gone on and on and on.

## Picking the Students For a School

How does a man go about becoming a candidate for a banking school? First, probably, he indicates by his interest and application his qualifications as a prospective student. Then he talks it over with the boss—

**S.G.S.B. men at work in the Rutgers Library**

either his immediate boss or the top man, depending upon the local setup. He will, of course, want to share his ambitions with management, if for no other reason than that management is the prospective payer of the bill for board and tuition, that it will allow him time for home-work (extension problems and thesis preparation, perhaps), and that it has just as much interest in his development as he himself has. So you can hardly blame a bank if it feels it has the right to pick its students.

More and more the managing officers of banks are relying on the consensus of other officers and of school graduates for appraisal of possible students. For instance, some of the larger banks have committees of graduates of regional banking schools, whose duties are not only to select but to guide and evaluate the students' progress during his studies.

### "Potential's" the Thing!

Being a business, banking wants to get the fullest return from its investment of time and money in these people, and it therefore selects those who have the greatest potential—men who, with some help from education, can develop in their present jobs or fit themselves for others. It sometimes happens, as probably you know, that potential is not the sole consideration: a commercial man may be sent to school prior to being shifted to the trust department, for instance, with the purpose of sharpening him for the new spot. But on the whole, bank in and bank out, potential, it's safe to say, is the chief criterion. Years ago it was different; the boys who developed the A.I.B. movement, remember, were the ones who suggested that they go to school. However, today, by and large, banks pay the bills, and have a closer interest in who goes to school.

A very important part of the educational program in banking is the encouragement banks give their men to study at colleges and universities. This practice, however, seems to be limited to perhaps the 200 largest banks, for the rather obvious reason that this kind of education is expensive and that it is available, for the most part, in communities where banks attain bigness.

"A quarter of a century ago when a bank hired a brand new college graduate, with a view to training him for the officer's platform, it created a morale problem," said one educator. "How did the 'inside' man feel—the man who'd joined the staff years before, fresh out of high school, was doing very well, and merited the best the bank could give him? Should he be penalized just because he hadn't obtained a degree? Of course not, the banks decided—and they sought to balance any inequality of opportunity by giving the men with less formal education a chance to catch up by attending local colleges or universities, at the banks' expense."

### Those Liberal Arts

When the emphasis on scientific education became a hubbub after Sputnik I, the still, small voices of the liberal arts made some feeble protests: "How about us? Don't forget that we make the well-rounded man."

Many people, of course, were not forgetting; indeed, there has developed a rather vociferous clamor on behalf of History, Literature, Languages, Philosophy, and other members of the old fraternity. Some of this re-emphasis on the Humanities has spilled over into banking education; there is unmistakably a greater interest in them among many students.

Examples come readily to mind. Essex County (New Jersey) Chapter of the A.I.B. offered a course, Great American Literature, first to junior officers, then to all chapter students. It includes reviews of a dozen or so prominent American books, from Benjamin Franklin's *Autobiography* to William Faulkner's *The Bear*.

Just the other day BANKING received from the Southwestern Graduate School of Banking at Southern Methodist in Dallas word that the school was instituting a new Humanities program for third year students. Dr. Richard B. Johnson, the director, said: "Bankers are more than administrators behind a desk. They are leaders in the community and must be well-versed in ideas and in community aspirations, as well as understanding credit and banking techniques." The new program explores the differences between Western and Eastern philosophies and explains why the Oriental thinks and often acts differently from the Westerner. There will be sessions on architecture, music, and art to demonstrate the creative use of sound, space, and color. The banking student will be challenged to consider how he can improve his environment.

The American Institute of Banking itself has taken a look at the possibility of some broad innovations along the liberal arts line. At the 1959 convention Dr. Leroy Lewis, national educational director, said there might well be a possibility of foreign language study, at least in some larger chapters. Also the A.I.B. might consider broadening the curriculum "in terms of the world in which we live, and also in terms of the liberal arts, possibly with courses in history, commercial geography, and maybe one on the great books."

### Limited Facilities

The liberalization of banking education along classic lines is a subject for professional educators, and this article will leave it to them, after one observation: It is quite possible that the Humanities will not become generally available at the banking schools, if for no other reason than the limited facilities. The teaching of these subjects, however desirable, could possibly be left to the regular colleges which would offer the courses to bankers on a "Here it is if you want it" basis. And wouldn't you say that many enlightened bank managements would respond: "All right, gentlemen, go and get it!"

**On the Rutgers campus—between classes**

# *Here's another bank encouraging* Action in Politics

Avery C. Hand, Jr., first vice-president, and David J. Snyder, assistant cashier, discuss First National Bank's political education program. The special map in the background was prepared by Snyder to familiarize employees with political boundaries and positions

W. A. STROUD

*In January's* BANKING, *C. Arthur Hemminger told you about an "Action Course in Practical Politics"—prepared by the U. S. Chamber of Commerce and available to all banks—conducted at First National Bank in St. Louis. In February, Thomas W. Miles told about the many courses of action open to bankers who want to learn to become effective politicians—a program sponsored by the National Association of Manufacturers, to name one, the Chamber of Commerce course, for another, and many others. Here, an assistant vice-president in the public relations department of First National Bank of Mansfield, Ohio, tells how his bank approached the topic.*

*Said Mr. Stroud: "The course which is being presented to our staff is a composite course built around the Chamber of Commerce course and material obtained from the National Association of Manufacturers and the Committee on Political Education. In all fairness to the nonpartisan aspect, we felt the Chamber of Commerce course needed this additional material."*

---

IMPROVING the business climate requires an understanding of the political facts of life. This is the reason First National Bank of Mansfield, Ohio, has encouraged, and is now helping, their employees to study political processes, to enter politics and take an active part in government. A program entitled "Action Course in Practical Politics" has been organized for bank employees and is effecting a significant political education, on a nonpartisan basis.

Politics, to the younger generation of bankers, has been a dirty word. They have been indoctrinated with the principle that "business and politics do not mix." But today these bankers are more concerned about political trends. They see:

(1) Laws that stifle competition;

(2) Laws that create agencies that compete with their own institutions;

(3) Laws that regulate private business;

(4) Rising taxes and a mounting national debt;

(5) Organized labor wielding undue political influence.

These visions, to many bankers, are seen as a challenge for the preservation of a free society. And they ask—what do you do—where do you start?

Politics are not new to First National. Henry G. Brunner, the bank's president is former Democratic state chairman; Sherman A. Wentz, vice-president and cashier, is very active in Republican circles and has been a central committeeman for many years; Herbert H. Schettler, vice-president and trust officer, is a former Municipal judge; Frank W. Mengert, assistant cashier and branch manager is city treasurer; John D. Leppo, assistant cashier and branch manager, township clerk; Sam Chinni, city councilman. Many other staff members participate as precinct leaders.

## Management Education First

Education is the biggest factor involved in the question of whether your bank should go into a political action program—education of top management. For management must first be made aware of the necessity of a political program. They must know what it can accomplish. Then employees must be shown that participation in a political program is an investment in their own welfare.

Avery C. Hand, Jr., first vice-president, has long been the proponent of political education and understanding among the members of our staff. It was through his determination that six months ago it was decided to make available to our employees a "grass roots" political education program. David J. Snyder, a young officer with 20 years of financial training and banking experience was selected to get the program under way. This officer first enrolled in the 12-hour seminar conducted by the National Association of Manufacturers. Following this he participated as a student in a Cham-

(CONTINUED ON PAGE 146)

**This article is unfair to bankers—but not very. It only gives the salesmen's side with emphasis on their criticisms. In following issues we'll pass along their suggestions and then summarize banking's rebuttal. But here's what they say.—*Ed.***

# Are Bankers Artless Buyers?

***YES—say salesmen, who prove their point by citing experiences to show that many bankers don't get their money's worth.***

**RICHARD L. KRAYBILL**

BANKERS are darned nice people, but they're awfully naive when it comes to buying.

That was the general impression gained from talking to salesmen with territories throughout the country. These men represent scores of products and services useful to banks. Some call only on banks; others visit a variety of business concerns. Some handle just one specialized item; others offer a line of goods. Their products cover a price range of less than $1 to many thousands of dollars.

Their natural reluctance to criticize customers — or potential customers—was overcome by a promise of complete anonymity. Surprisingly enough, none of them took advantage of this privileged position. In every instance they offered facts, figures, and specific examples to justify their criticisms. And they were just as quick to praise the good as they were to censure the bad.

### Their Views Were Varied

There were differences of opinions among them, obviously. Some stemmed from differences in the nature of the products they handled. Some reflected the different personality, experience, and training of the individuals interviewed.

Despite these differences, a pattern emerged as certain criticisms cropped up with alarming regularity. Added together, they present a disheartening picture of bankers as buyers. Fortunately, they are seldom added together in any one bank. It would be still more fortunate if they didn't appear so often—even singly.

One of the most popular complaints was the length of time it takes banks to reach a decision. Going from the sublime to the profane to the ridiculous in three words, one salesman suggested that bankers should stop their "so-and-so procrastination."

### Unnecessary Delays

"I could understand it," another salesman said, "if they were getting additional information to help them decide. But here was a bank that based its decision on the same facts it had six months ago." His particular gripe was that the bank expected the same delivery date that had been mentioned six months earlier.

It's hard for a manufacturer to schedule operations efficiently when orders hang fire over long periods. His costs may go up and exert pressure on his prices. Delivery dates can't be fixed, and the salesman's time is wasted in checking back while waiting for a final word.

No wonder one salesman said, "Give me a prospect list that includes a bank and I'll put the bank at the bottom of my list." He explained that it takes 8 to 10 calls to sell a bank, but he averages about three calls to sell any other kind of business. Simple arithmetic leads him, and other salesmen, to neglect banks for the greener fields where sales take only one-third the time.

With time as their most valuable resource, salesmen have to budget it carefully. They simply can't afford to let it be wasted. Bankers often fail to appreciate that, and it's usually the banker who suffers as a result.

"I cooled my heels for nearly an hour waiting to see a bank officer," a salesman related. "Then he sent out word he couldn't see me. I walked across the street to another bank and closed a sale in less than an hour."

The sequel to this occurred shortly afterward at a convention where this same officer became intensely interested in an exhibit. He asked the representative to call at the bank and was surprised to learn that it was the same salesman he had refused to see earlier. He was even more surprised to learn that his competitor had signed up that day, and this company would only serve one bank in a community.

### Who Is THE Buyer?

Another time-waster for salesmen is in trying to find the right man in a bank. "It seems that everybody in a bank wants to give the impression that he has a lot of authority and can make decisions. Many of them have the authority to say no but it can be a tedious job to find the one man who can say yes."

What makes it doubly hard in

(CONTINUED ON PAGE 62)

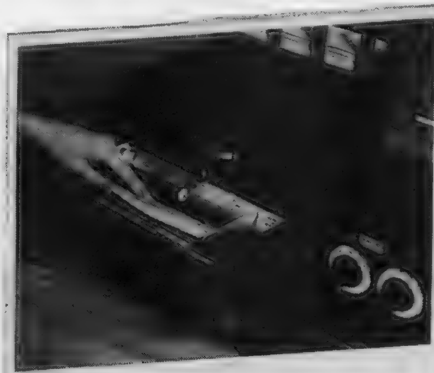
# Is your microfilming operation manual or automatic?

## Picture the advantages you'll get with an automated Recordak microfilmer

Jobs that were once done separately and by hand can be combined . . . done in one lightning-fast operation with a new automated Recordak microfilmer!

In most banks, the time and dollars you save make a new Recordak microfilmer much more economical than older microfilming equipment designed for yesteryear's volume and pace.

Judge these advantages yourself on a free-trial, no-obligation basis. Recordak Corporation, 415 Madison Ave., New York 17, N.Y.



**Automatic Feeding:**
The Recordak Reliant's high-speed feeder handles up to 400 checks a minute with remarkable precision.

**Automatic Indexing:**
A Recordak exclusive, Kodamatic Indexing "codes" film record while you microfilm. Makes reference easier.

**RECORDAK®**

(Subsidiary of Eastman Kodak Company)

**originator of modern microfilming—now in its 32nd year**

IN CANADA, contact Recordak of Canada Ltd., Toronto


Automatic Cancelling:
A low-cost Recordak accessory lets
ou cancel or endorse documents
hile they're microfilmed!

# Are Bankers Artless Buyers?

(CONTINUED FROM PAGE 58)

dealing with banks is that many of them bury the buying authority in a committee and then make it difficult or impossible for a salesman to talk to the whole committee. "I either have to meet the members individually or try to educate one of them to the point where he can make a half-way decent presentation to the whole committee," was the way one expressed it.

### Threefold Benefits

"What a lot of these bankers don't seem to realize," another salesman pointed out, "is that every one of us has three things the banker can use. He can use the product itself; he can use the information about it to make intelligent comparisons and wise buying decisions; and he can pick up more nuggets of timely, helpful, general information than he can get anywhere else."

In these days of growing competition, bankers can't afford to play a conservative, waiting game. Of course, bankers don't want to buy every new product that comes along, or include every new service, or adopt every new promotional program. But the question salesmen ask is, "Don't they want to know about them, and what their competition is doing about them?"

Many of them answered their own question with, "Apparently not." That's because bankers often erect barriers against salesmen. Some are so well protected by buffer echelons of "no" men that they are annoyed when an occasional salesman manages to pierce the insulation.

To the protest, "But bankers are busy people," they heartily agree. So are the people in engineering firms, insurance companies, industrial concerns, and every other type of business. But they don't complain, as one banker did, that they are being "swamped by three salesmen in one week." They'll see more than that in one morning.

### Price Is No Problem

Here is another important criticism of bankers that was almost universal. As one man put it, "Bankers are practically price-unconscious." He went on to explain, "Sure, they want to know the price, but their main concern is for quality. Take a non-bank buyer and he'll compare quality and price to make sure he gets the most for his money. The banker wants top quality without considering the premium he pays to get it."

These salesmen were certainly not advocating that banks should go to the other extreme and buy on price alone. Nor were they suggesting that banks place less emphasis on quality. Their real complaint was that banks were too narrow and unrealistic in their buying attitude. When they look only at the so-called "best" they virtually eliminate the competitive factor, and they pay "carriage trade" prices as a result.

### An Unrealistic Policy

Along this same line, salesmen assailed "reciprocity" as a fetish of bankers. They feel obliged to buy from companies that have accounts with their bank no matter how expensive it may be. "If switching to another supplier means losing the account, it's worth thinking over," a salesman admitted. "But they don't think it over. They'll stick with the account even when it is so small and the potential savings are so large that it would be money in their pocket to change suppliers and lose the account."

### Loyal . . . or Lazy?

Still another complaint was the ultra-conservatism of bankers. "If it's new or different, it's bad," was the way one expressed it. In many instances this negative or conservative attitude of bankers was considered a kind of loyalty, but a fair share of the salesmen saw it as a sign of laziness.

"When a banker is once sold, he stays sold," was a typical statement from salesmen. And to this they generally added, "He won't bother to look at or consider any other product or supplier unless some sort of emergency arises. He seldom changes for reasons of economy, and only rarely to obtain better service."

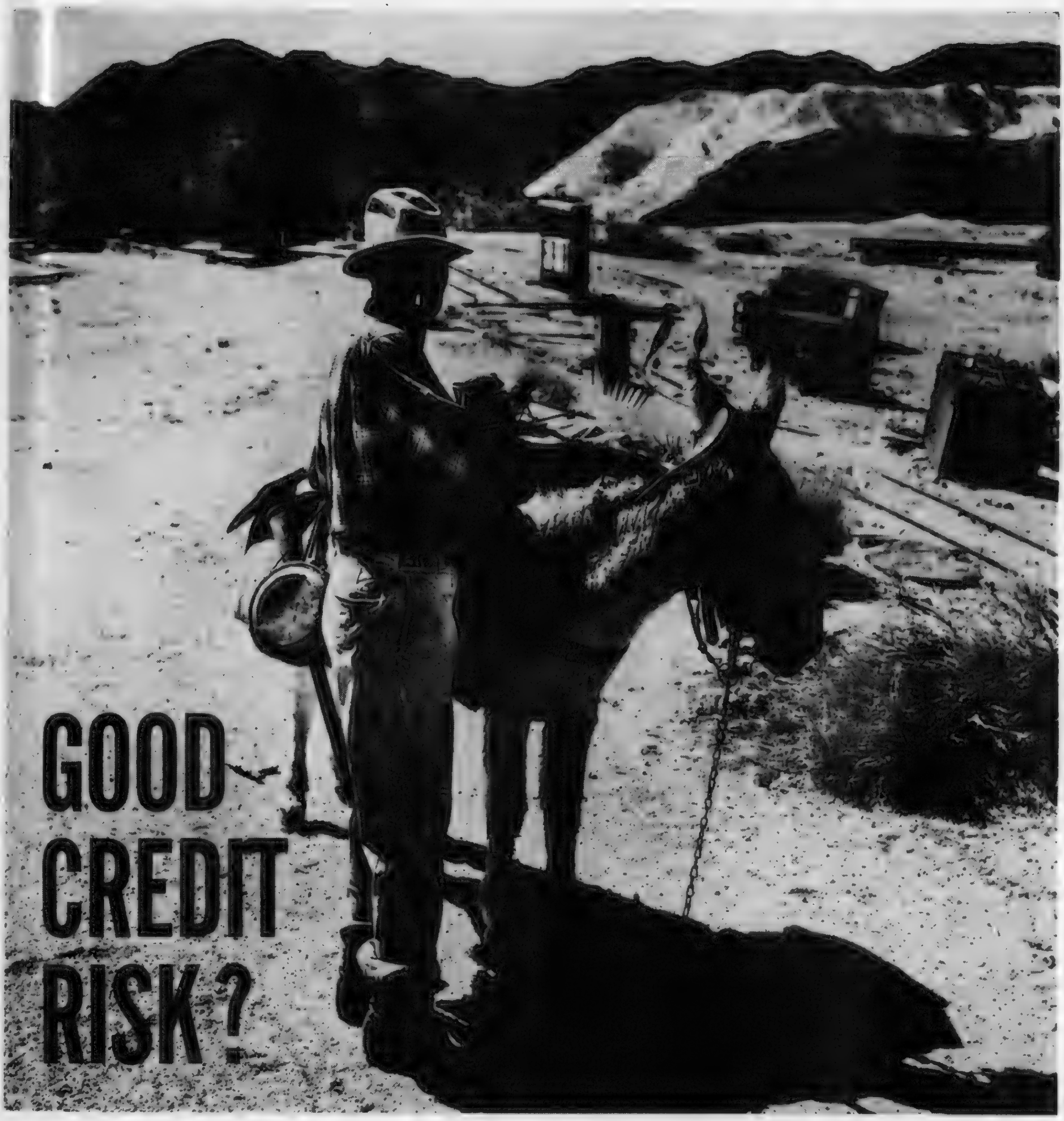
### The Whole Picture

Here, then, is how the banker appears to the salesmen who call on him. He puts off decisions for an unreasonably long time. He tries to insulate himself from the help of salesmen and shows little appreciation for the value of their time. He stresses quality more than price to the extent that he usually pays a premium for what he gets. He is so "account conscious" that he'll follow a policy of reciprocity even if it "reciprocates" him into the red. He is so conservative in action and negative in attitude that he must be forced by circumstances to consider anything new or different.

This is, admittedly, a one-sided picture because the many words of praise have been purposely omitted. On the other hand, these complaints were voiced often enough so that one can't dismiss them as merely the sour grapes statements of unsuccessful salesmen. On the contrary, the salesmen were, by and large, highly successful.

Interesting as this picture may be, it was even more interesting and informative to hear the salesmen's suggestions on how banks could improve their buying procedures. These will appear in an ensuing article.


**"It isn't the price, it's just that you haven't the personality to sell it to me!"**




*It doesn't seem likely.* Yet if you asked the people who really know him — you'd discover that this California prospector is a man of high reputation *and* considerable wealth. He has a substantial savings account. An assortment of "blue chip" securities. And just down the canyon—a small but prosperous quicksilver mine.

Providing credit information *in depth* is just one of the many services offered by Bank of America, the bank that *knows* California. Whatever your correspondent requirements — portfolio analysis from our headquarters in San Francisco, last minute market reports from the leading trade centers of the world, or direct routing of transit items on cities in any part of the state — Bank of America can assist you.

For *complete* correspondent service, write, wire or call: Corporation and Bank Relations Department, 300 Montgomery Street, San Francisco. Or 660 South Spring Street, Los Angeles.

*One Account Covers All California*

**BANK OF AMERICA**
NATIONAL TRUST AND SAVINGS ASSOCIATION
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

# THE A.B.A. IN BANK OFFICER E

# SUMMARY OF UNITED STATES BANKS

## Bank Count and Totals—December 1959

### Compiled by Polk's Bank Directory, Nashville, Tennessee

| STATES AND TERRITORIES | National Banks | National Bank Branches | State Banks & Trust Co. | State Bank Branches | Mutual Savings Banks | Mutual Savings Bank Branches | Private Banks | Other Banking Institutions | Other Bkg. Instit. Branches | Facilities | TOTAL BANKS | TOTAL BRANCHES | DEPOSITS | CAPITAL ACCOUNT | TOTAL ASSETS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Alabama | 69 | 65 | 168 | 8 | | | | | | 7 | 237 | 73 | $ 2,019,088,647 | $ 196,157,327 | $ 2,240,259,990 |
| Alaska | 7 | 13 | 11 | 2 | | | | | | 6 | 18 | 15 | 183,307,309 | 14,301,987 | 198,596,292 |
| Arizona | 3 | 109 | 6 | 34 | | | | 2 | 16 | 9 | 11 | 159 | 1,186,437,298 | 90,401,499 | 1,304,140,748 |
| Arkansas | 55 | 10 | 179 | 27 | | | | 2 | | 2 | 236 | 37 | 1,281,739,498 | 119,526,844 | 1,405,135,955 |
| California | 37 | 1,146 | 73 | 376 | | | | 6 | 25 | 27 | 116 | 1,547 | 24,270,366,670 | 1,648,825,534 | 26,686,863,913 |
| Colorado | 77 | | 84 | | | | | 21 | | 4 | 182 | | 1,913,246,623 | 165,118,025 | 2,107,540,117 |
| Connecticut | 24 | 85 | 40 | 103 | 71 | 49 | 2 | 5 | | 1 | 142 | 237 | 4,743,616,882 | 468,967,234 | 5,277,950,233 |
| Delaware | 3 | | 17 | 53 | 2 | 4 | | | | 1 | 22 | 57 | 821,670,445 | 95,180,337 | 927,392,141 |
| District of Columbia | 6 | 31 | 6 | 27 | | | | 1 | | 5 | 13 | 58 | 1,463,062,506 | 110,498,987 | 1,607,460,953 |
| Florida | 109 | | 188 | | | | | 3 | | 11 | 300 | | 4,746,280,253 | 397,301,055 | 5,274,950,949 |
| Georgia | 52 | 47 | 310 | 31 | | | 49 | 1 | | 11 | 412 | 78 | 2,809,479,867 | 266,731,861 | 3,138,980,033 |
| Hawaiian Islands | 1 | 26 | 5 | 47 | | | | 5 | 2 | 1 | 11 | 75 | 698,230,698 | 59,426,213 | 777,435,522 |
| Idaho | 10 | 66 | 22 | 14 | | | | | | 1 | 32 | 80 | 635,257,001 | 45,930,252 | 688,230,888 |
| Illinois | 396 | | 560 | | | | | ‡3 | | 4 | 939 | | 16,785,184,615 | 1,758,562,835 | 18,848,606,558 |
| Indiana | 124 | 124 | 321 | 143 | 4 | | 4 | 4 | | 3 | 457 | 267 | 4,702,037,968 | 398,201,254 | 5,160,980,149 |
| Iowa | 98 | 4 | 565 | ¶170 | | | 9 | 1 | | | 673 | 174 | 3,051,008,498 | 300,616,637 | 3,369,494,415 |
| Kansas | 169 | | 423 | | | | | 3 | | 16 | 595 | | 2,282,582,985 | 222,700,776 | 2,520,405,731 |
| Kentucky | 88 | 64 | 270 | 65 | | | | 1 | 1 | 2 | 359 | 130 | 2,302,638,058 | 218,175,292 | 2,548,315,669 |
| Louisiana | 42 | 83 | 145 | 72 | | | | | | 4 | 187 | 155 | 2,943,904,559 | 243,585,301 | 3,221,546,137 |
| Maine | 28 | 40 | 26 | 79 | 32 | 6 | | | | 1 | 86 | 125 | 1,088,991,082 | 120,070,236 | 1,225,317,052 |
| Maryland | 51 | 66 | 88 | 151 | 7 | 35 | | | | 11 | 146 | 252 | 2,901,176,560 | 256,997,956 | 3,204,452,773 |
| Massachusetts | 102 | 197 | 64 | 152 | 186 | 102 | | 2 | 1 | 1 | 354 | 452 | 10,997,329,928 | 1,179,767,239 | 12,404,401,025 |
| Michigan | 75 | 178 | 307 | 359 | | | | 1 | 1 | 1 | 383 | 538 | 8,888,446,551 | 724,053,169 | 9,791,140,843 |
| Minnesota | 179 | 6 | 507 | | 1 | | | 1 | | | 688 | 6 | 4,350,289,511 | 390,779,420 | 4,837,624,793 |
| Mississippi | 27 | 19 | 166 | 105 | | | | | | 4 | 193 | 124 | 1,338,060,410 | 107,245,938 | 1,451,875,674 |
| Missouri | 77 | | 544 | | | | | 4 | | 4 | 625 | | 5,975,309,828 | 548,585,590 | 6,603,694,197 |
| Montana | 41 | | 74 | | | | | 1 | | 1 | 116 | | 802,639,769 | 59,242,952 | 873,783,934 |
| Nebraska | 123 | | 298 | | | | | 7 | | 3 | 428 | | 1,590,931,472 | 160,509,175 | 1,789,314,443 |
| Nevada | 3 | 21 | 4 | 15 | | | | | | 2 | 7 | 36 | 413,688,834 | 25,041,885 | 445,834,379 |
| New Hampshire | 51 | | #25 | 1 | 33 | 1 | | | | 1 | 109 | 2 | 910,939,608 | 112,752,549 | 1,037,685,352 |
| New Jersey | 164 | 220 | 90 | 161 | 21 | 19 | | 3 | | 6 | 278 | 400 | 8,114,891,446 | 663,239,497 | 8,889,886,756 |
| New Mexico | 27 | 24 | 25 | 24 | | | | | | 2 | 52 | 48 | 699,365,322 | 51,216,001 | 756,138,070 |
| New York | 247 | 420 | 163 | 859 | 128 | 145 | 2 | 9 | 2 | 3 | 549 | 1,426 | 64,241,634,449 | 6,488,583,548 | 72,841,447,316 |
| North Carolina | 39 | 84 | 152 | 352 | | | | | | | 191 | 436 | 3,021,195,607 | 285,611,401 | 3,385,144,241 |
| North Dakota | 38 | 1 | 117 | 28 | | | | 1 | | | 156 | 29 | 765,674,992 | 71,174,300 | 844,214,362 |
| Ohio | 222 | 285 | 363 | 303 | 2 | 4 | 1 | | | 1 | 588 | 592 | 11,055,449,681 | 978,033,555 | 12,202,525,928 |
| Oklahoma | 198 | | 190 | | | | | 2 | | 11 | 390 | | 2,573,114,917 | 260,583,584 | 2,878,073,472 |
| Oregon | 11 | 154 | 40 | 27 | 1 | | | 2 | 1 | | 54 | 182 | 2,032,351,845 | 171,880,229 | 2,248,602,773 |
| Pennsylvania | 473 | 430 | 237 | 296 | 7 | 48 | 5 | 4 | 2 | 4 | 726 | 776 | 15,814,855,381 | 1,789,427,024 | 17,862,575,221 |
| Puerto Rico | | 9 | 7 | °71 | | | | 1 | 8 | | 8 | 88 | 341,454,775 | 63,947,777 | 445,364,392 |
| Rhode Island | 4 | 46 | 4 | 36 | 8 | 22 | | 1 | 3 | 1 | 17 | 107 | 1,350,702,573 | 134,450,784 | 1,505,426,807 |
| South Carolina | 25 | 90 | †121 | 39 | | | | 1 | | 5 | 147 | 129 | 1,053,250,599 | 97,224,742 | 1,165,557,853 |
| South Dakota | 33 | 24 | 141 | 30 | | | | | | 1 | 174 | 54 | 695,681,442 | 64,846,530 | 766,064,210 |
| Tennessee | 75 | 111 | 220 | 78 | | | | 3 | | 7 | 298 | 189 | 3,250,356,341 | 283,569,001 | 3,584,840,381 |
| Texas | 468 | | 515 | | | | 12 | 4 | | 22 | 999 | | 11,670,720,241 | 1,142,442,393 | 13,039,549,939 |
| Utah | 7 | 40 | 42 | 28 | | | | | | 5 | 49 | 68 | 1,251,187,413 | 90,058,085 | 1,363,472,231 |
| Vermont | 32 | 16 | 24 | 11 | 6 | 3 | | 1 | | | 63 | 30 | 505,648,514 | 49,827,483 | 561,591,730 |
| Virginia | 129 | 116 | 178 | 117 | | | | | | 16 | 307 | 233 | 3,214,662,559 | 288,405,573 | 3,543,547,198 |
| Washington | 25 | 237 | 63 | 23 | 4 | 8 | | | 1 | 4 | 92 | 269 | 3,086,387,896 | 256,172,122 | 3,385,821,339 |
| West Virginia | 77 | | 106 | | | | | | | | 183 | | 1,262,110,327 | 144,991,062 | 1,420,139,795 |
| Wisconsin | 98 | 16 | 455 | §136 | 4 | | | 4 | | | 561 | 152 | 4,470,463,278 | 399,339,436 | 4,905,731,815 |
| Wyoming | 25 | | 28 | | | | | | | 1 | 53 | | 405,166,314 | 33,779,380 | 444,227,768 |
| U. S. Dependencies | | | | | | | | | | | | | | | |
| American Samoa | | | 1 | | | | | | | | 1 | | 2,421,995 | 238,582 | 2,688,136 |
| Canal Zone | | 4 | | | | | | | | | | 4 | | | |
| Island of Guam | | 1 | | | | | | | | 2 | | 1 | | | |
| Mariana Islands | | | | | | | | | | 1 | | | | | |
| Marshall Islands | | | | 1 | | | | | | | | 1 | | | |
| Midway Island | | | | 1 | | | | | | | | 1 | | | |
| Virgin Islands | 1 | 1 | | 4 | 1 | 1 | | 2 | | | 4 | 6 | 17,147,922 | 1,039,337 | 18,431,196 |
| Totals | 4,545 | 4,729 | 8,778 | 4,659 | 518 | 447 | 84 | 112 | 63 | 236 | 14,037 | 9,898 | $258,992,839,762 | $ 24,315,336,785 | $289,030,473,787 |

## COMPARATIVE TOTALS FROM PREVIOUS EDITIONS

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| December 31, 1958 | 4,581 | 4,365 | 8,786 | 4,359 | 519 | 411 | 85 | 104 | 42 | 212 | 14,075 | 9,177 | $254,843,846,476 | $ 22,769,727,631 | $282,516,547,126 |
| December 31, 1955 | 4,697 | 3,821 | 9,477 | 3,946 | ☐ | ☐ | 91 | 55 | 31 | 181 | 14,320 | 7,258 | $223,503,304,273 | $ 18,768,377,526 | $245,851,350,014 |
| *December 31, 1950 | 4,962 | 2,189 | 9,576 | 2,811 | ☐ | ☐ | 116 | 45 | 20 | | 14,699 | 5,020 | $177,971,830,002 | $ 14,746,163,406 | $194,334,365,422 |
| *December 31, 1945 | 5,024 | 1,669 | 9,492 | 2,254 | ☐ | ☐ | 135 | 93 | 14 | | 14,744 | 3,937 | $167,324,220,000 | $ 10,913,339,000 | $179,118,471,000 |
| *December 31, 1940 | 5,132 | 1,557 | 9,734 | 2,089 | ☐ | ☐ | 171 | 83 | 19 | | 15,120 | 3,665 | $ 76,872,549,364 | $ 8,397,028,788 | $ 85,895,569,397 |

The 12 Federal Reserve Banks operating 24 Branches, the 12 Federal Intermediate Credit Banks, the 12 Federal Land Banks and the 11 Federal Home Loan Banks operating 3 Branches are not included in the bank count; Statement figures of these banks are not included in the Deposits, Capital Accounts and Total Assets figures.

☐ Mutual Savings Banks and Branches, total number of banks and branches included in State Bank count for June, 1955, 1950, 1945 and 1940.

‡ Illinois count of Other Banking Institutions includes three trust companies organized under "An Act in relation to corporations for pecuniary profit."

¶ Iowa Branches are called Offices and are permitted by State Bank and Trust Companies only.

# New Hampshire operates 7 Guaranty Savings Banks, included in State Bank count.

° Under State Bank Branches in Puerto Rico, number of branches indicates permanent locations; in addition "Mobile Units" are serving 32 towns on scheduled stops. Other Banking Institution branches includes 8 Branches of Canadian Banks.

† South Carolina bank count of State Banks and Trust Companies includes 3 Depository Banks.

§ Wisconsin Branches of State Banks and Trust Companies are called Stations.

* Comparative figures from previous editions (June 1950, 1945 and 1940) do not include Puerto Rico and U.S. Dependencies.

In 1950, Haloid Xerox Inc., of Rochester, N. Y. introduced the first commercial application of *xerography,* a clean, fast, dry, electrostatic copying process. Haloid Xerox management saw in this new way of creating permanent images on paper a way to save industry, business, and government thousands of dollars annually in copying costs. Now, after nine years of research, the advantages of xerography have been incorporated into an amazing *office* copying machine . . . the new Haloid Xerox® 914 Office Copier.

**Fundamental new way of office copying**

**Makes copies on ordinary paper**

Xerography made fast, inexpensive copying possible. The new XeroX® 914 Office Copier brings it to the business world. Never has there been an office copier like this before! It makes copies on your own letterhead, ordinary paper (plain or colored), vellum, or offset paper masters. As many as 6 copies a minute. And the quality of reproduction is superb. The new XeroX 914 is more than a new *way* of office copying . . . it represents a major breakthrough in the application of automation principles of office copying. *Magic* . . . at your fingertips!

# NEW XEROX 914

## OFFICE COPIER

BANKING
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION
Business Building Bulletin
APRIL 1960

# IDEAS AT WORK

*The Ideas section of the Business Building Bulletin is by* JOHN L. COOLEY.

## A Bus, a Breakfast, and a Bank Tour

ZIONS First National Bank in Salt Lake City sends us a story that begins this way:

"If you had to open a temporary bank office in a trailer on a site where a permanent office would be located two years later, how would you publicize the opening?" The rest of the story, naturally, is the "how."

Ames K. Bagley, vice-president in charge of PR, felt that the bank should save its big push for the grand opening; meanwhile, he wanted to publicize the new office. The problem was solved with a bus, a breakfast, and a bank tour.

Prominent religious, business, and civic leaders in the Cottonwood-Holladay area, where the office is, were invited to an informal breakfast at a new country club. The bank chartered a bus, specially painted with its name, to transport the guests. Souvenirs were small jet savings banks. W. LaMar Webb, president of Zions First National, spoke briefly. Then the guests were driven to the new office for a tour of the compact premises—a trailer built by a local company.

The project provided an excellent opportunity for the bank's officers to visit informally with important people, and promoted a good climate for a large formal opening of the new building when it's ready.

Business, religious, and civic leaders were transported to the site of Zions First National Bank's new office in a special bus

## More Banks on Wheels

SPEAKING of mobile banking reminds us that California Bank, Los Angeles, Valley National Bank, Phoenix, and National Bank of Commerce, Seattle, are other practitioners we've recently heard of. The primary use of banks on wheels, of course, is to handle business while an office is being built or remodeled.

Valley National's, as we've previously noted, is 55 feet long. The California and Seattle units measure 53 feet, with three doors and six windows.

The units are rather completely equipped and in general offer nearly all bank services.

## "Pig to Market" Program Helps Open New Bank

OPENING of The Bank of Arlington Heights, Ill., earlier this year was preceded and accompanied by promotional ideas adaptable not only to brand new banks but to new branches.

Because the interval between the announcement of plans and the actual opening was rather long, the management had a problem in maintaining public interest and building it to a peak for the actual start of business. Advertising counsel devised a program.

The new bank is in a shopping center called Arlington Market, so the plan was built around the "Bring Your Pig to Market" slogan. Large black plastic piggy banks were distributed throughout the community and a prize was offered for the heaviest pig on opening day.

Advertising included billboard and newspaper teasers. During this preliminary period news releases covered interim construction accomplishments. The final effort used a 3-color brochure titled "If you were to ask me 'What's so different about The Bank of Arlington Heights?' I think I'd begin by . . ." and continuing inside "First telling you something about our facilities, and a bit about how we hope to be of service to you, and finally who we are, and why the way we think about

our relationship to the community as a whole—and you in particular—makes for a *real difference.*" Each of the three points was developed.

The brochure went to every household and to some nearby towns. A covering letter from President Wilfred C. Wolf invited people to the opening ceremonies.

At the brief afternoon opening a local clergyman gave the invocation and State Treasurer Joseph G. Lohman spoke. Directors and their wives received visitors during the 3-day open house period.

## *"How Much Do You Know?" Is Contest Theme*

TRENTON (N. J.) Trust Company offered an interesting "How Much Do You Know About Money and Banking?" contest for $1,000 in cash prizes.

Ten questions, mostly of the multiple choice variety, covered a wide range. The entry blank was on substantial paper, with plenty of room for the answers. Judges were three local people.

The first question was: "Name the men whose pictures appear on the following bills." Contestants next

# *$37,000,000 New Business Drive Develops Staff Sales Skills*

WHEN a big bank does a big job in a big way, the results can be big. In this case they were $37,000,000 in new business and 80,000 new customers in eight weeks. Dollar volume included $22,500,000 in new deposits.

That's the record compiled by the staff of First National City Bank of New York in its "Parade of Champions," another employee incentive campaign that had 8,400 of the 11,000 staffers (including branches, head office, trust, and safe deposit company) selling services. Third in FNCB's series of similar drives offering merchandise awards for business developed by non-officer personnel, the primary emphasis was on deposit accounts. However, personal loans, trust services, travelers checks, and safe deposit facilities were sold, too.

The bank emphasizes the value of the training in salesmanship. Active participation enabled the staff people to sense and capitalize the opportunities to develop their own abilities. As Executive Vice-president T. R. Wilcox puts it, the campaign "matured selling skills."

FNCB calls attention to the fact that although the drive was conducted in a "tight" money market (autumn of 1959), it surpassed in results the similar campaigns of 1955 and 1957, although it was two weeks shorter.

### *Christmas Club Accounts Lead*

On the basis of the campaign's daily averages, the new business production showed Christmas Club accounts leading the Parade by a wide margin, in number, with regular savings second and personal loans third. In dollar volume savings came first, regular checking accounts second, and personal loans third.

The production by staff categories provided some interesting statistics on sales productivity and potential.

The special patrolmen (guards and receptionists), constituting 2% of the staff, got 12% of the number of new accounts and 10% of the balances. Machine operators, 13% of the staff, produced 3% of the new accounts and 1% of the business. (These people, of course are non-contact personnel.) Tellers, 10% of the force, brought in 31% of the accounts and 24% of the volume. The "official assistants" —young men who, as embryo officers, handle lobby inquiries and talk with customers on the platform—obtained 13% of the accounts and 24% of the volume. They comprise 5% of the staff.

### *The Campaign Organization*

The volunteer staff salesmen were organized into 153 teams apportioned among 11 leagues. For the first time, each team was given a deposit quota with the added incentive of extra points for all participating members of teams which achieved or surpassed their goals. Points were awarded for new business in accordance with a schedule that equalized employee's widely varying opportunities to get business. Team leaders were supplied with extensive sales kits which included reprints of "The Come-in-Talk-It-Over Part of Banking Modernization" from the August 1959 BANKING.

**"Family influence is important in your sales approach," says the copy facing this page in the FNCB staff sales book. "A prospect wants security for his family. Use the instinct of self-preservation —security — to suggest a Savings Account for a secure future. . . ."**


Management's psychology was positive: there were no "Don't" lists. Each prospect received an introduction card from the team member who first talked with him; the card, in turn, was presented by the customer when he applied at a branch or main office for a service.

Here's how the bank's report to the staff summed up the Parade's accomplishments:

"It is estimated that approximately 80,000 new customers were brought to the bank, which provides us with real potential for cross-selling of other services. There was a revival of enthusiasm for sales, an improved understanding of our services by the employees, and improved service as a by-product of sales consciousness. Systemwide participation contributed enormously to the general improvement in esprit-de-corps, institutional cohesion, and the partnership approach to the development of First National City."

### *Built-in Promotion*

The staff that took part in the Parade had a good background of sales training, for during the last four years FNCB has had a very successful "Perpetual Promotion" program of soft-selling. This plan also operates with the familiar introduction cards, and merchandise prizes are distributed monthly. The merchandise awards for this program are appealing: the bank saw to that by asking New York department stores for "hot" item suggestions. Electric hair driers, china tea sets, and kitchen gadgets proved most popular even with the men, who, presumably, had an eye on something for the ladies. At the end of the campaign year there's a drawing for two big vacation trip prizes.

studied a column listing 10 services supplied by the Trenton, and matched from the adjoining column the word or phrase mostly closely associated with each. Other questions brought out the agencies that safeguard depositors' funds, the approximate national daily check turnover, how to make a deposit "without going inside any of the bank's six offices," the way a safe deposit box may be opened. There were also four true or false questions, such as "Deposit insurance is paid for by the State of New Jersey."

In conclusion the contestant was asked to state in not more than 150 words the banking services he considered most valuable, and why. Originality, pertinence, completeness of sales points, grammatical construction, spelling, and neatness received values varying with their importance.

We'd like to tell you how the contest went, but it was just concluding as this issue went to press.

## Bank Has Conference for N.E. Municipal Officers

A CONFERENCE for New England municipal officials, sponsored by The Merchants National Bank of Boston, was so successful that the bank plans to make it an annual affair.

Three hundred persons, representing 100 Massachusetts communities and several other New England states, attended the 1-day meeting in a Boston hotel. City and town treasurers, corporate counsel, school administrators, members of town boards of selectmen, tax collectors, city and town managers, budget directors, mayors, a state treasurer, and finance committeemen were in the audience. Experts discussed determination of bond ratings for municipalities in the area, bank services available to municipal officials, and revenue bonds for parking facilities.

At the luncheon speakers included Mark C. Wheeler, senior vice-president of the bank; Harry H. Baldwin, 3rd, assistant vice-president; and Dr. Arnold M. Solway, the economist who writes Merchants' business letter.

The program listed the guests and their hosts (all the officers of the bank), and reminded the visitors that the bank's services for municipalities were: regular and special checking accounts, tax anticipation financing, certification of bonds and notes, payment agent for obligations, safekeeping of securities, consultant to capital expansion committees, and trustee.

## NYSBA Offers Press Relations Guide

"IT'S Our Story" is the title of a new press relations handbook for banks, published by the New York State Bankers Association.

The 20-page booklet emphasizes the reporting of newsworthy bank happenings and stresses the role of the community newspaper as a communications medium between the institution and the public.

There's helpful information on setting up a press relations program, on writing news releases, on maintaining contacts with the papers, and on other communication media. A publicity checklist—events that make news—is another practical feature.

In the words of Executive Vice-president Albert L. Muench, the pamphlet "sets forth the basic and practical procedures for the cooperating with and obtaining the cooperation of the press, whose assistance is most essential in presenting banking's story to the public."

## Ad Series Salutes Local Industries

FOR more than 300 years, Gloucester, Mass., has been sending men down to the sea in ships, and the

## A Gay Nineties Bank for Disneyland

Bank of America's Gay Nineties Disneyland branch

AN unusual banking facility is the Bank of America office at Disneyland. Some 8,000,000 people have visited the branch since it opened nearly five years ago.

The decor, inside and out, is Gay Nineties right down to the ornate chandeliers, old machines, and tellers' clothes—long bow ties and armbands for the men, Gibson Girl blouses for the girls.

In the 2-story building on Town Square near Tomorrowland is a children's window labeled "Young 'Uns" at which kids collect gold and silver-covered chocolate coins. The bank lists candy as a regular item of expense, and its chocolate bill, says Assistant Cashier Leo F. Wagman, the manager, is about $200 a year. In addition, candy canes are distributed at Christmas.

Older people find the souvenir money orders interesting. They come in $1, $5, and $10 denominations, each bearing a different picture and printed Disneyland Branch at the top. They're free of service charges. Nearly a third of the $1 denomination are kept as souvenirs.

The bank is open Saturdays and Sundays throughout the year. Between Sept. 15 and June 1 it's closed on Mondays and Wednesdays.

Commercial, special checking and savings accounts, and personal loans are available to park and concessionaire employees. Business is included in that of the Anaheim branch.

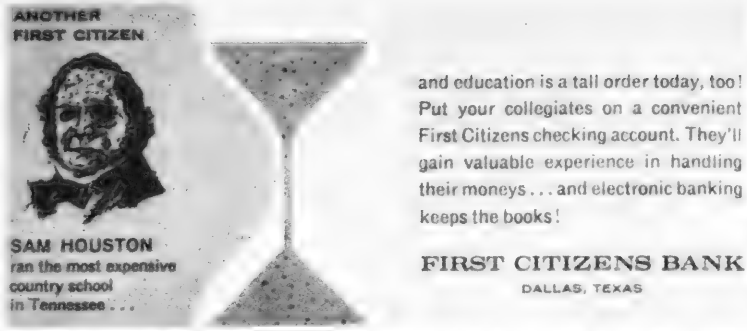
If the office doesn't make money for B of A, it does make a lot of friends.

fish that come back with them are still the old city's basic economy.

When the Cape Ann National Bank began a series of newspaper ads saluting local industries "for their share in making Cape Ann a good place to live and work," the first piece was about the fishermen. Under a drawing of Gloucester fishermen in a heavy sea was this copy:

"Ranging over the North Atlantic, in fair weather or foul, they must have the most modern equipment to locate fish, to fill their refrigerated hulls by trawl or seine, and thus to bring in a continuing flow of millions of pounds to supply Gloucester's plants and processors. We salute their rugged skills and perseverance."

The bank has a new insignia, the "sacred cod" of Massachusetts, which it's using on the ads and on its letterhead.




**One of the change of name-bookkeeping promotion pieces featuring Texans**

## *How a Bank Changed Its Name and Bookkeeping*

THE advertising campaign that publicized a bank's name-change and its adoption of electronic bookkeeping used the saturation technique to tell customers and public.

Casa Linda State Bank, Dallas, which opened six years ago, was named for the shopping center in which it's located. However, business and the area grew, and, says President Robert C. Haden, "it seemed practical that the bank should escape the label of being a one-shopping-center bank."

About that time it also decided to install the new kind of bookkeeping, and was faced with the problem of educating customers in the new method. The ad agency, Clarke, Dunagan & Huffhines, was called in.

A change to "First Citizens Bank" answered the desire for a new personality; this name, it was felt, symbolized the strength and growth that motivated the first citizens of Texas —men like Sam Houston, James Bowie, William B. Travis.

These pioneers were featured throughout the 3-month campaign. A portrait medallion of each, plus a composite of the nine used, appeared on matchbooks, outdoor posters, statements, stationery, staff badges, display ads, desk calendars, checks, and stuffers. A different picture was used monthly. The "First Citizens" idea, of course, was stressed.

The new electronic bookkeeping was explained in letter to customers and through other media well in advance of the equipment's installation.

Early this year there was a ceremony closing Casa Linda State Bank and opening First Citizens. The bank invited local "first citizens" to attend.

## *Booklet Records Bank's Community Record*

THE Brevoort Savings Bank of Brooklyn, N. Y., published an illustrated booklet recording area accomplishments in which it has participated. The financing of homes, religious buildings, hospitals, and other local projects is reported in text and pictures.

Two pages are devoted to a spread of newspaper clippings reporting the participation of the bank staff in such activities as blood bank drives, historical exhibits, fund raising, Little League baseball, and bicycle safety.

A foreword by President Richard A. Brennan says the booklet "illustrates a concept of community service which we accept as a basic responsibility."

### Suggestions for Shopping Center Banks

BANKS interested in shopping center offices are advised to demand "prime locations, but only if they intend to take advantage of them."

The suggestion comes from J. Alan Ornstein, shopping center consultant, who emphasizes the importance of merchandising.

"A bank in a shopping center," he says, "can't afford to be a blank wall. Attractive window displays, promotional campaigns, community relations projects, and other aggressive selling techniques can reap important business.

"Pick a thriving center, particularly one with an aggressive merchants' association. Be cautious about locating in a center of less than 100,000 square feet; a large center has better opportunities for a bank than a very small one.

"A business-like and cheerful atmosphere is more important than 30-foot ceilings and other exotic gestures. The architectural scheme should be bright and modern and conform to the general theme of the center. The important thing is for the bank to integrate itself into the center's retail concept." That means drive-in and walk-up windows, and evening and Saturday hours.

## *Soft Sell Ads Omit Big Headlines*

NATIONAL Community Bank, Rutherford, N. J., with 10 offices in Bergen County, gives a different touch to its new series of newspaper advertisements.

The soft sell series omits headlines and sub-headlines, the big logos, and coupons. Sales messages are single paragraphs of about 50 words, set in 10-point type; they include the name of the bank, without benefit of capital letters or italics. Art work is simple and homey.

Copy approach is the straight statement of fact about a bank service, as in the example illustrated:

"Retirement, travel, vacation, new car, cottage by the lake . . . all of

the finer things of life can be the results of a regular savings account program at National Community Bank. The 3% interest you receive adds extra earnings to your savings . . . start today for tomorrow's planning."

That's all the type, except for a line at the bottom listing the bank's offices and the required FDIC membership mention.

The series, produced by Results Unlimited, was originally scheduled for three ads in as many weeks, but response was so favorable that the program was stepped up.

## *Briefer Mention*

**STATE PROMOTION.** Marine Midland banks offer a pamphlet, "Looking for Profit?" which summarizes the advantages of New York State in which the 11 banks are located. Manpower, transportation, resources, markets and profit opportunities are summarized briefly.

**DISPLAYS.** The Bank of Levittown, N. J., has started a continuing program of industrial displays illustrating how business and industry serve the community. Local and national companies are participating.

**50TH.** DeKalb (Ill.) Trust and Savings Bank celebrated its 50th anniversary in a newly remodeled home. More than 4,000 attended the open house. The bank has operated continuously under the same charter and at the same location, without merger or reorganization.

**HIGHLIGHTS.** The Marshall (Tex.) National Bank celebrated its 70th birthday with a book of historical highlights and a 4-page newspaper section about the bank.

**TIMELY.** An exact size model of the manned capsule "Project Mercury" was shown on the main floor of The Lincoln Savings Bank, Brooklyn, N. Y. The model, complete with astronaut in space suit, was made for the bank.

**DIMES.** Capitol National Bank in Austin, Tex., was the scene of a "radiothon auction" for the benefit of the March of Dimes. Three stations broadcast the sale of donated items from the lobby. The bank was also headquarters for the Mothers' March.

# A Bank Talks to the Ladies

**JESSAMINE DURANTE**

*Miss Durante is head of the Women's Division, Harris Trust and Savings Bank, Chicago, and producer of the little publication she describes here.*

UNDER the supervision of its Women's Division, the Harris Trust and Savings Bank, Chicago, has launched a new publication, "Woman's Business." This unique 8-page copyrighted booklet will be issued every two months and mailed to the bank's women customers and friends. The first issue featured an article by Ruth MacKay, Chicago *Tribune* columnist, entitled "You Are in Business." Other articles include "How to keep your balance with a checkbook," and a section of short, woman-oriented business and economic squibs headed "Marketing Report."

### *Advance Research Done*

Prior to publication, extensive research was conducted to determine how a bank should talk to women about the everyday business of living, and what interests women in business publications, as a foundation for helping Harris Bank develop a special newsletter for women. A sampling of 102 women in the Chicago area was invited to join in a survey conducted by a research firm employed by the bank. Each woman in the sample had achieved prominence or distinction as a career woman, civic leader, member of society, or homemaker.

Each was given a 2-week subscription to the *Wall Street Journal* and asked to mark with a red crayon everything she liked to read in each issue. It was felt that this paper was as universal a sampling of business news as might be found for the purpose. Interest in the survey was almost unanimous among the women invited to participate, and only one of the 102 declined to take part because "reading about business does not interest me." The readers were asked to read or skip whatever they wanted to. This gave them an opportunity to edit their own business publication and the bank a yardstick to measure their business interests. The survey showed this: women are interested in everything . . . it's how you talk to them that makes the difference.

Comments on the first issue from the bank's women customers and friends have been most favorable. A society matron wrote: "I am flattered that the Harris Bank would go to so much trouble to create a special, informative pamphlet slanted toward my feminine interests." A business woman stated: "Your first edition of 'Woman's Business' was 'tops' and a wonderful innovation." A woman executive said: "I think 'Woman's Business' is great." Still another: "Most interesting and contains many bits of helpful information. I shall certainly look forward to your next issue and any thereafter which I am privileged to receive." A well-known public relations woman in industry said: "I wouldn't be surprised if you find a lot of women writing for suggestions and solutions to their business problems."

Cover of the new periodical

# The Changing Face of Bank Advertising

G. EDWIN HEMING

*The author is manager of the Advertising Department, American Bankers Association.*

BANK advertising has come a long way since the early days when a bank published merely the names of its officers and directors, a photo or drawing of the bank building, and the slogan, "Our total assets over 'X' million dollars."

Today a great deal of bank advertising rivals the best that is being done by business and industry.

Today banks are supplying new, needed banking services and are merchandising those services effectively; banks are endeavoring to build goodwill and public approval by being helpful to the masses, as well as to business and industry, in connection with all financial matters; and banks are endeavoring to build a better banker image in the minds of the public through informative and educational advertising and publicity.

Let's go back a few years. What were banks advertising a dozen years ago? In 1947—when the total advertising expenditure of banks was $40,000,000 as compared with today's $172,000,000—the service receiving greatest emphasis was automobile loans. This was followed by mortgage loans, personal loans, and farm production loans. Checking accounts were in fifth position, while savings deposits were in eighth place.

The trend changed in 1948. That year the emphasis swung toward getting deposits. Checking accounts rose to the Number 1 spot, followed by savings deposits. Auto loans fell to third place, mortgage loans were fourth, personal loans fifth, and farm production loans sixth.

Savings climbed to first place in 1952, and that position has been maintained ever since.

## Media Changes

Newspapers have been the Number 1 medium for bank advertising as far back as the earliest A.B.A. surveys. Direct advertising, including folders, inserts, and booklets, has been consistently second. Window and lobby posters and displays generally have run third, although in the 1960 survey this medium slightly edged direct advertising for second place.

Calendars, in fourth place, remain popular as an advertising medium for banks.

While 789 banks, out of those reporting in 1953, said they would use radio, the 1960 score is 1,481 banks. Radio still remains fifth on the 1960 media list.

Similarly, TV is making big strides as a popular bank ad medium. In twelfth place on the list in 1953, TV has moved up to ninth. While only 87 banks reported that they would use it in 1953, the 1960 figures show that 348 will telecast this year.

Some new media currently making their appearance are: Talking postal cards that can be heard by playing them on a record player; tape recorders for lobby use that offer background music interspersed with commercial announcements on bank services; weighing machines for lobby use that display a kodachrome illustration and bank ad as people get their correct weight free; full-color transparencies and shadow-box displays in 3-dimensional effect for use in bank lobbies. Some banks use Boy Scouts to deliver messages instead of mailing them. At 4 cents per delivery, the Boy Scout troops earn money for their favorite projects and the bank gets a good delivery job, plus the goodwill of many members of the boys' families.

## Trends in Bank Ad Illustrations

What are banks using to illustrate their ads today? We see a current trend toward better-quality artwork, good photographs, and a greater acceptance of cartoons or drawings with the lighter touch. In the A.B.A. Advertising Department's 1960 survey of commercial bank advertising, the question was asked, "What type of illustrations do you like best?" Here is a tabulation of the replies:

| | | |
|---|---|---|
| (1) | Photographs | 861 |
| (2) | Combination photo and line drawings | 753 |
| (3) | Line drawings | 545 |
| (4) | Cartoons | 497 |
| (5) | All-type (no illustration) | 209 |
| (6) | Silhouette drawings | 149 |
| (7) | Wash drawings | 79 |
| (8) | Scratchboard | 73 |

## Headlines

Here are some of the headlines of 1950:

*"Certainly, all one basket!"*
*"Unlimited horizons"*

*"Nail it down"*
*"At the finish line"*
*"Systematic saving"*
*"Where do the two pennies come from?"*
*"A goal to strive for"*
*"I'll do it myself"*
*"Get that top-of-the-world feeling"*
*"Is your will a 1950 model?"*
*"Rent a safe deposit box"*
*"Your best friend could be your worst executor"*
*"GI's are OK with us"*
*"Thin ice"*
*"Before you buy a new car find out about the Bank and Agent Plan"*
*"How to solve the borrowing problem"*
*"A million patrons"*

Notice that only about half a dozen of these headlines are specific, or suggest what is offered, or point out advantages of the service.

Notice the difference in these 1960 headlines:

*"Regular saving provides family security"*
*"19 ways to save money on your car"*
*"I got my loan right here at home"*
*"Extra hours for loan customers, too"*
*"There's a low-look in First National financing, too"*
*"Save your stamps, save your steps . . . bank by mail for winter comfort"*
*"Cut estate taxes"*
*"Why successful people pay bills by check"*
*"Now, instant earnings—your savings earn dividends from day of deposit"*
*"Free, genuine cowhide billfold"*
*"One-stop banking is so convenient"*
*"Men of decision* bank *their savings"*
*"At your fingertips: 5 bill-paying advantages"*
*"Home financing designed to meet your needs"*
*"A place for everything . . . everything in its place"*
*"Drive in to do your banking—it's quick"*

## Layouts

Layouts in bank advertising vary from the simple to the complex. The standard technique of illustration, headline, copy block, and bank signature—time-tested—still predominates. Some variations are: A dominating photograph with shorter copy; large illustration, ample white space, and very small copy block with the bank name buried in the copy and no bank signature—a sort of subliminal effort.

## New Services

Many of today's bank ads feature services that were unknown a few years ago. Drive-in windows, rush hour depositories, electronic bookkeeping, instant credit, charge plans, and boat loans are only a few but typical examples.

Today more banks believe in the effectiveness of advertising than ever before. This is reflected in the steadily increasing advertising appropriations which have grown from a total of $20,000,000 in 1946 for all banks, to $172,000,000 scheduled for 1960. It is also reflected in the increasing use of modern advertising techniques, professional advertising assistance, and the growth of organizations like the Financial Public Relations Association.

## *Services Emphasized in Bank Advertising*

In 1947, *loan services* received greatest emphasis. The shift to *deposit services* came in 1948; with emphasis on *saving accounts* coming to the fore in 1952

*(Figures show number of times mentioned for most emphasis)*

| 1947 | | 1948 | | 1952 | |
|---|---|---|---|---|---|
| 1. AUTO LOANS | 1372 | 1. REGULAR CHECKING | 847 | 1. SAVINGS DEPOSITS | 1660 |
| 2. MORTGAGE LOANS | 1172 | 2. SAVINGS DEPOSITS | 786 | 2. REGULAR CHECKING | 1656 |
| 3. Personal loans | 944 | 3. Auto loans | 705 | 3. Auto loans | 790 |
| 4. Farm production loans | 864 | 4. Mortgage loans | 601 | 4. Personal loans | 541 |
| 5. Regular checking accounts | 711 | 5. Personal loans | 467 | 5. Farm production loans | 526 |
| 6. Equipment loans | 688 | 6. Farm production loans | 439 | 6. Mortgage loans | 476 |
| 7. Business loans | 585 | 7. Farm equipment loans | 348 | 7. Bank-by-mail | 410 |
| 8. Savings accounts | 543 | 8. Repair loans | 256 | 8. Repair loans | 291 |
| 9. Repair loans | 521 | 9. Business loans | 248 | 9. Institutional | 282 |
| 10. Special checking | 251 | 10. Home appliances | 186 | 10. Special checking | 263 |
| 11. G. I. loans | 208 | 11. Institutional | 165 | 11. Business loans | 261 |
| 12. Institutional | 179 | 12. Special checking | 162 | 12. Safe deposit | 243 |
| 13. Life insurance loans | 108 | 13. Bank-by-mail | 149 | 13. Farm equipment loans | 241 |
| 14. Educational | 106 | 14. Safe deposit | 112 | 14. Trust service | 201 |
| 15. Banking-by-mail | 99 | 15. G. I. loans | 97 | 15. Home appliance loans | 196 |
| 16. Safe deposit | 85 | 16. Educational | 90 | 16. Life insurance loans | 148 |
| | | 17. Life insurance loans | 87 | 17. Educational | 100 |

*For 1960 emphasis listing, see March* BANKING, *page 69*

# What About "Premiums"?

*The pros and cons of incentives for savings—including premiums—were discussed by a panel at the A.B.A. Savings and Mortgage Conference in New York. Here are some of the views.*

MAKING a distinction between a "specialty" and a "premium," George M. Wasem, vice-president, Commercial National Bank, Peoria, Ill., defined the former as "any useful item generally imprinted with the name and message of the advertiser, free to customers and prospects." The premium is given "on condition that the recipient do something." The same product can be used for both; the only difference is "the method of distribution and the imprint." However, a premium is usually more expensive than a specialty.

Among the "pro" arguments for premiums mentioned by Mr. Wasem were these:

### For Them

Premium merchandising is an integral part of a bank's total marketing approach. It is only one element of marketing mix.

There is considerable objective evidence to show that while individuals and even communities vary in their attitudes toward premiums, practically everybody likes them.

Premiums are especially adaptable for bank use. A premium is an incentive for savings, a reward for savings. The consumer has no concern about his gain being offset by a price increase.

Premiums are called a form of price cutting by some banks which still find it possible to defend free checking account services for new savings accounts, preposted free balances, life insurance, and other so-called incentives.

For some banks, premiums can be a dominant patronage motive, and it's just good sense to use them.

Some critics of premiums assume a stronger loyalty among bank savers than is actually the case. The percentage of people possessing full loyalty—those doing all their business with one bank—is very small.

### Against Them

Arguments against premiums:

Premium users should be on the hard, solid, practical ground of costs and profits. Costly premium promotions have no place in an industry with low gross margins and profit ratios.

Consistent consumer advertising on a broad scale conditions prospects to become savings customers. Premiums do not fit into this kind of program.

Premiums trade down the value of savings; they are simply price promotions.

Premiums are a poor and bankrupt answer to advertising's problems of persuading people. They may do it temporarily; but when the competition adopts a similar plan of persuasion, your deal no longer excites the market.

Premiums represent the defensive way. They are an admission that we do not have the capacity to achieve an appealing image of our bank.

The sales peaks caused by premiums are temporary, and a large percentage of the converts are transients.

### "Not the Basic Answer"

J. Lewell Lafferty, vice-president, Republic National Bank, Dallas, said that in his opinion "the premium incentive is not the basic answer" to the problem of attracting savings. "Some banks have been successful in using premiums, but the relative number is small. On the other hand, the use of premiums by all banks could result in a very deplorable situation. The competitive features of such a program—with one bank trying to outdo the other—could easily predominate and could lead to unsound practices.

"Instead of premiums," Mr. Lafferty continued, "it seems to me that we should be able to inaugurate continuing and active development programs that would have more appeal to individuals so as to motivate their desire to establish savings accounts with banks."

### "Premiums Are Effective"

Robert Wekesser, vice-president, National Bank of Commerce, Lincoln, Nebr., expressed the opinion that "premium incentives are effective" in attracting savers, although these inducements can lead to a race in interest rates paid and in the value of the premium.

"It is questionable in my mind," he added, "whether premiums will be an additional incentive to save or merely create a shift in savings between institutions."

### "Supermarket Selling"

Granville S. Morgan, vice-president, The Philadelphia Saving Fund Society, moderator of the panel, reviewed a survey showing that many people save for specific tangibles.

Mr. Morgan urged each bank to analyze its services as to convenience, and then to start a program of "supermarket selling."

# PUT INK ERADICATOR ON EITHER SIDE OF THIS CHECK AND WATCH IT SHOUT

# STOP!

| | DOLLARS | CENTS |
|---|---|---|
| BRO'T FOR'D | | |
| DEPOSITED | | |
| " | | |
| TOTAL | | |
| THIS CHECK | | |
| CAR'D FOR'D | | |

**YOUR BANK** No.______

60-71
433

ANY CITY, U.S.A.______________19____

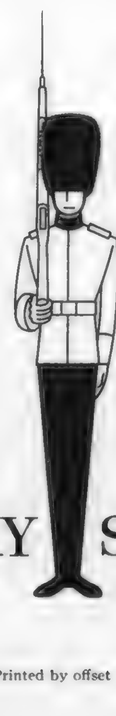
PAY TO THE ORDER OF______________________$______

________________________________DOLLARS

JUST a drop of ink eradicator shows you how the new Hammermill Sentry Safety Paper protects your checks. A special warning indicia shouts **STOP • STOP • STOP** at would-be check raisers.

Both the face of the check and the endorsement side are guarded against alteration when you use Hammermill Sentry Safety.

You can get the new Hammermill Sentry Safety in any of seven stock colors or white. Ask your Hammermill Merchant or check printer for samples. Or write to Hammermill Paper Co., Erie, Pa.



HAMMERMILL SENTRY SAFETY

Printed by offset on Buff Hammermill Sentry Safety

# Growth-Inflation Kit Available This Month

THE educational aspect of the A.B.A.'s long-range program for economic growth without inflation shifts into high gear in April. A banker's kit for widespread distribution and containing timely and pertinent information on the growth-inflation problem is scheduled for unveiling at the Spring Meeting of the Executive Council.

Readers of BANKING will be pleased to know that the public reaction to the announcement last fall of the A.B.A.'s program has been quick and most encouraging. In a recent speech, Casimir A. Sienkiewicz, chairman, Committee on Economic Growth Without Inflation, noted that ". . . it seems likely that this is not only one of the most significant undertakings that the A.B.A. has ever sponsored but one of the most popular as well."

Mr. Sienkiewicz went on to say, however, that "This is gratifying, but it also is sobering. We cannot afford to fail to deliver the goods and our success will be measured by the extent to which bankers—representing all sizes of banks—join in the effort. This effort must be mutual and vigorous."

There isn't much question that the American public has become increasingly aware of the dangers which rising prices pose for our way of life and of the need for adopting policies which will promote rising standards of living. The Russian menace, of course, has only served to underline the importance of solving the inflation-growth problem.

There isn't much question, either, that many people are confused over the wide differences of opinion as to the nature of the problem and with the suggestions for its solution, or that most will welcome counsel which is clearly in the public interest.

The forthcoming banker's kit is designed primarily to help bankers inform their customers as to the nature of the growth-inflation problem and of the necessary measures both public and private which must be adopted if we are to solve it. It is the committee's belief that our economy still reflects the inflationary bias which has characterized it in the postwar period. The Committee further believes that there is grave danger that the American people may be lulled too soon by short-lived periods of small price increases or price stability into a complacent attitude toward the inflationary threat. It seems clear to the committee that the inflationary danger is not over until we have removed the causes of the bias. This can only be accomplished when there is widespread understanding of what they are and how they may be eradicated.

The kit will contain booklets of the length and level of presentation of the committee's first publication, *A Banker Discusses: Inflation, Credit Control, Interest Rates*. More importantly, the kit will include a series of leaflets, shorter and more simply written, designed for widespread distribution among bank employees and bank customers.

Present plans call for the mailing of the kits to all members of the A.B.A. in mid-April. It will be accompanied by a letter from President Remington which will ask for the cooperation of all banks in achieving the widest possible distribution of the items contained in the kit and include suggestions as to how this may be done. He will ask each bank to appoint a man and also a woman who will be jointly responsible for this educational program. He will emphasize that this is a grass roots program and that its success or failure depends upon local bankers' efforts.

In the coming year, arrangements have been made, in cooperation with association secretaries, to provide a spot for discussion of the growth-inflation problem at a large number of state conventions and group meetings. Displays, describing various aspects of the program, will be provided by the A.B.A. for these meetings.

The foregoing is a brief description of some of the several facets of the A.B.A.'s educational program for this year. As the year unfolds, there will, of course, be further developments. These will be brought to bankers' attention in BANKING.

A.B.A.

## *Savings as a Spur to Economic Growth*

"THE bulk of savings must come from current income if we are to keep output and demand in balance," said Dr. Gabriel Hauge at the A.B.A. Savings and Mortgage Conference in New York.

"It seems to me," he said, "that regardless of the complexity of causes between economic growth and the factors relating to it, the savings-investment sequence is vital.

"This process cannot thrive if it is obstructed by trying to run our economy, a buoyant economy, on the basis of depression or war-controlled levels of interest rates.

"We must foster the stability of the monetary unit because, after all, money is both a medium of exchange and a store of value.

"We have to understand the role of monetary policy in the investment and banking process, and we need to foster savings in all the ways we have been discussing in our meetings, as a spur to economic growth."—Dr. Hauge *is chairman of the Finance Committee of the Manufacturers Trust Company, New York, and a member of the A.B.A. Committee for Economic Growth Without Inflation.*


Dr. Smith, *in white shirt*, foreground, discusses income tax management with a group of dairy farmers at a Madison County, New York, tax management school conducted by the New York State College of Agriculture, Cornell University, Ithaca

# Tax Management in Farming

**"A farmer need not be a tax expert, but he cannot ignore the tax implications of major farm management decisions. Good farm records and sound planning will enable a farmer to meet his income tax responsibilities at a minimum of cost."**

**ROBERT S. SMITH**

DR. SMITH, *professor of farm management in the Department of Agricultural Economics, Cornell University, Ithaca, N. Y., was cosponsor of a series of Federal Farm Income Tax and Tax Management Schools in New York State early last winter. In our February issue,* DR. SMITH *wrote on "Farm Incorporation Advantages and Disadvantages."*

THE manager of any business must give full consideration to tax costs in making management decisions. The owner and operator of a commercial farm business is no exception. Most major farm management decisions must be made with an eye to tax planning. Because farm income is subject to severe year to year fluctuations tax management takes on added significance. Over a period of years, less taxes will be paid if fluctuations in farm income are controlled.

The importance of tax planning for farmers has become much more important in recent years. In 1939, only about 185,000 farmers filed Federal income tax returns. In 1955, over 3,500,000 farmers filed Federal income tax returns. A great majority of farmers conscientiously attempt to file the necessary tax returns to meet their tax obligations, but only a minority have developed skill in meeting tax obligations at a minimum of cost to their businesses and families. Whether a farmer files his own return or hires a tax specialist to help him, he needs to consider taxes in all of his buying and selling operations. His banker can help him recognize the importance of tax management and tax planning.

### Sound Records Basic to Tax Planning

The Agricultural Extension Service, through its county agent system, has taught the importance of sound accounting for farmers for many years. Bankers and others have also worked for better farm records, but it's still true that few farmers have adequate records for good tax planning. Lack of adequate records definitely works to farmers' disadvantage in tax reporting. On most farms, income comes largely from one or two sources, and is likely to get completely reported on tax returns. Farm expenses, on the other hand, are made up of scores of items, large and small, and are paid to a large number of suppliers. They may be incurred any day of the week and any hour of the day. Not all are paid by check. Many are joint personal and business expenses. Under these conditions, expenses are likely to be under-reported on tax returns.

Internal Revenue does not specify the kind of accounting system a

farmer must follow. It does require records that will support adequate tax reporting. A farmer has other important uses for his records, including the obtaining and using of credit. No farmer wants to or should keep a separate set of records for each purpose. A basic income and expense record is usable for any purpose. It is true, however, that an income tax depreciation record is of relatively little value in establishing net worth. The tax depreciation record is essentially a recovery of cost, not a statement of value.

Of extreme importance for tax purposes is a record of outlays for real estate purchases and improvements. When a farm or farm land is purchased or a farm building constructed, a record of cost must be made. If it is a farm purchase, it is extremely important to allocate total purchase price among the various segments of the farm business. Depreciation and capital gain calculations in all future transactions will depend upon this allocation.

## What Method of Tax Reporting?

Farmers have a choice of reporting on the cash or the accrual basis for Federal income tax. On the cash basis, taxable income for the year is based on actual cash transactions which occurred, with inventory changes recognized only in terms of depreciation on capital items. On the accrual basis, taxable income is calculated on the basis of a combination of income and expense *incurred,* whether on a cash or credit basis, plus gain or loss in inventory of livestock, crops, and feed and supply.

The advantages of the cash basis method are that it is simpler, it allows more flexibility in most cases for leveling out income over a period of years, and it provides for capital gain treatment of the total value of raised dairy or breeding stock as they are sold.

The major advantage of the accrual basis for reporting is that it prevents inclusion of income from sale of two years' crops in one year. This is of importance only when a large portion of farm income is from storable crops which are sometimes held into the following tax year.

Experience with farm tax returns over many years leads most farm tax experts to recommend the cash method over the accrual method for a great majority of farmers.

## Guiding Principles

In managing income and expense for tax purposes there are some guiding principles which must be kept in mind:

*Accurate reporting is good business:* It pays to follow the rules in tax reporting. Every taxpayer is obligated to make a truthful report to the best of his ability. This means that he must not only report all income, but he must also report all expenses, including allowable depreciation.

*Tax minimization can be bad management:* Concern about taxes should not be allowed to influence a manager towards an unprofitable decision. For example, a farmer on the cash basis might buy fertilizer for the coming crop year in December to cut taxes in the current year. If he stored the fertilizer in an unsuitable place, it could go out of condition and result in a loss much greater than the tax saved.

*Tax savings in the current year usually result in higher taxes in some later year:* Attempts to adjust income either upward or downward in the current year must be made with one eye on the effect of this move or next year's taxable income. The cash basis farmer who buys his fertilizer for the coming crop year in December assumes that the expense in the current year will benefit him more than in the coming year.

*Social Security is a good "buy" for most farmers:* A farmer's Social Security retirement income is determined by the average net farm earnings he has reported over the years for income tax purposes. This also determines the amount of survivor benefits payable to a farmer's dependents at his death. After calculating the annual net farm profit on which Social Security payments are based, a farmer must make additional calculations to determine his taxable income. These calculations usually include adding income from capital gain and other sources, and always include taking personal deductions and exemptions.

Few farmers can afford to ignore the financial security offered by Social Security. A primary objective in tax management should be the building of Social Security benefits at or near the maximum level, even if it results in higher income tax payments.

*Personal deductions and exemptions should be used up annually:* A farm operator should strive to use up personal deductions and exemptions each year. The following example shows why:

Joe and Emily Smith have two children—Net income, 1959, 0; 1960, $5,000; average income, $2,500; 2-year tax (est.) $420.

George and Ruth Brown also have two children — Net income, 1959, $2,500; 1960, $2,500; average income, $2,500; 2-year tax, 0.

Thus, a guiding principle in tax management is to report enough income every year to utilize exemptions and deductions.

## Managing Income to Avoid Year to Year Fluctuations

Flexibility in managing income and expenses can and should be used to even out fluctuations in income from year to year in a farm business. The farmer on the cash basis has more freedom in this respect than does the farmer on the accrual basis. Sound planning will include: Thoughtful consideration of the tax consequences of each major expenditure or sale before the transaction; making an actual tax estimate in November or December; a careful evaluation of alternatives at income tax reporting time. All three steps are vitally important.

*Major financial transactions:* Sale or purchase of a farm or part of a farm, construction of a new barn. sizable expenditures for soil and water conservation, and sale of standing timber, are all examples of transactions in which tax considerations are vitally important. Consultation with a tax accountant or an attorney *before* such a transaction is completed can save many dollars for the taxpayer, and can prepare him to meet his tax responsibilities when the transaction is completed.

In farming, property transfers from one family member to another are common. Transfer of part or full ownership of farm real estate, livestock, and farm equipment from father to son is often done in an informal and unbusinesslike manner with little or no thought of tax results. Because the tax basis of the property transferred is often determined by the type of transaction,

family deals deserve the same kind of advance tax planning as do other major transactions.

*Alternatives at tax reporting time:* Most effective tax management takes place during the tax year. However, a farmer usually has some alternatives left when he sits down to complete his tax return after the close of his tax year. Most important at this time is the choice of methods of depreciation on items purchased during the tax year. If his objective is to lower taxable income in the year under consideration, he can select a "rapid" method of depreciation. Another alternative which remains at tax reporting time is the choice of whether to treat soil and water conservation expenses as current operating costs or capital investments.

*Tax estimating:* The farm operator on the cash basis for tax reporting, who will take a day near the end of his tax year to make a tax estimate, will be well repaid for his time. He can use his records to calculate receipts and expenses for the first 11 months. He can estimate receipts and expenses for the remainder of the tax year. Tax for the year can then be estimated. There are numerous ways in which he can change his farm operations in the remaining month to either raise or lower taxable income.

He can sell more livestock which has been held for sale, or sell more crops, if his objective is to increase his taxable income. If he wishes to lower taxable income, he might postpone the sale of crops or livestock to the next tax year.

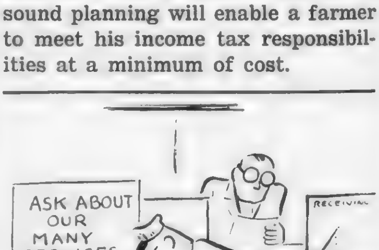
More flexibility is usually available on the expense side of the ledger. Fertilizer, lime, and feed purchases, for example, might be made either before or after the end of the tax year. Minor repairs, painting, purchase of small tools, and soil and water conservation expenses all might be postponed or moved up into the current year. Large capital expenses under consideration, such as a new tractor, might be postponed until year's end to avoid depreciation, or moved up to the current tax year to add depreciation as a current expense.

The accrual basis farmer will find tax estimating a worthwhile project, even though he has much less flexibility on both the income and expense side.

## Good Tax Management Is Good Farm Management

A good farm manager plans for tax purposes the year round. A farmer need not be a tax expert, but he cannot ignore the tax implications of major farm management decisions. Good farm records and sound planning will enable a farmer to meet his income tax responsibilities at a minimum of cost.





# Allis-Chalmers annual report now being mailed to share owners


The story of Allis-Chalmers essentially is the story of POWER . . . the creation of Power, the application of Power, the never-ending search by the Company for ways to improve its own powers of production and thereby better its product lines.

In terms of this pattern, the Allis-Chalmers Annual Report, now being mailed to 63,216 share owners, presents a broad outline of accomplishments of the Company in 1959.

| HIGHLIGHTS | 1959 | 1958 |
|---|---|---|
| Sales and Other Income | $543,337,852 | $535,165,825 |
| All Taxes | 35,395,615 | 33,189,603 |
| Earnings | 22,864,963 | 19,657,958 |
| Earnings per Share of Common Stock | 2.47 | 2.34 |
| Dividends Paid per Share of Common Stock | 1.25 | 1.25 |
| Shares Outstanding | | |
| Preferred stock | 97,968 | 103,635 |
| Common stock | 9,089,535 | 8,216,016 |
| Dividends Paid | | |
| Preferred stock | 418,359 | 422,831 |
| Common stock | 11,102,190 | 10,270,016 |
| Share Owners' Investment in the Business | | |
| Preferred stock | 9,796,800 | 10,363,500 |
| Common stock | 187,947,298 | 162,088,166 |
| Earnings retained | 146,699,078 | 135,354,664 |
| Total share owners' investment | 344,443,176 | 307,806,330 |
| Book Value per Share of Common Stock | 36.82 | 36.20 |
| Working Capital | 290,967,948 | 263,557,034 |
| Ratio of Current Assets to Current Liabilities | 4.26 to 1 | 4.82 to 1 |
| Number of Share Owners | | |
| Preferred stock | 802 | 802 |
| Common stock | 62,414 | 58,347 |
| Employes | | |
| Number of employes | 36,130 | 32,364 |
| Payrolls | 196,137,782 | 172,093,408 |

ALLIS-CHALMERS serves our nation and the growing world through the many domestic plants and offices shown here — and through the world-wide facilities of Allis-Chalmers International.

★ Sales or Branch Offices
● Manufacturing Plant

*for copies of the Annual Report write —*
**Allis-Chalmers Manufacturing Co.**
**Shareholder Relations Dept.**
**1175 S. 70th St., Milwaukee 1, Wis.**

**ALLIS-CHALMERS**

***POWER*** **FOR A GROWING WORLD**

# NEWS for Country Bankers

*This department is edited by* MARY B. LEACH *of* BANKING'S *staff.*

## Subsidized Interest Rates Drive Private Lenders Away

SUBSIDIZED interest rates by the Federal Government for farmers does not help them but acts to drive private lenders from the field, M. M. Kimbrel, chairman of the Committee on Federal Legislation of the American Bankers Association, said in an address before the Farm Mortgage Clinic of the Mortgage Bankers Association of America in Chicago. Mr. Kimbrel is executive vice-president of the First National Bank of Thomson, Ga.

"The competition we endure from Federal Land Bank associations is due to an unfair advantage given them more than 40 years ago by the Federal Government.

"The Federal Land Bank System is exempt from most taxes. If Federal Land banks and the FLB associations paid their fair share of taxes, as do banks of comparable size, the associations would have to charge an interest rate of about 0.5% more to maintain their present level of net income.

"In addition, the System receives preferential treatment in the bond market. This favored reception of Federal Land Bank bonds reflects the affiliation of the Land Bank System with the Federal Government. Although Land Bank bonds are not legally guaranteed by the Federal Government, the money market assumes, and I think correctly so, that the Federal Government would come to the aid of the Land Bank System in the event of severe financial difficulty. Consequently, Federal Land Bank bonds are accepted on the money market at an interest rate 0.25% to 0.5% lower than private financial institution bonds of comparable maturity and soundness.

"The multiple impact of unfair tax privileges and of protection in the bond market is of great magnitude. Without tax privileges and Government 'sponsorship' in the bond market, the FLB associations would have to charge 0.75% to 1% higher interest to maintain the same net income after taxes.

"We must recognize that artificially low rates discourage lenders from serving farmers — alternative lending opportunities to non-farmers become more attractive. . . .

"It is a known fact that some insurance companies are closely examining their farm mortgage portfolios and wondering how they can justify a large farm mortgage volume. If insurance companies receive less than the fair market rate of interest, families of policy holders and individual investors in insurance companies will eventually suffer. It certainly is not fair to make widows and children of policy holders subsidize the interest rate on someone else's mortgages."

## Current Agricultural Situation

**Prices received by farmers** firmed in January and February, with improvement in both the crop and livestock groups.

The first estimate of **income per person of farm people** from both farm and nonfarm sources in 1959 is down 8% from 1958 but higher than any other year since 1952. Income from nonfarm sources was up 6%, reflecting the general economic recovery. Farmers' realized net income in 1959 totaled $11-billion, down 16% from 1958 but about the same as 1957.

Beginning inventories of **cattle, hogs,** and **sheep** on January 1, 1960 were higher than a year earlier. Increases in the number of cows and ewes on hand will lead to larger calf and lamb crops in 1960, but the decline in sows and producer plans indicate a smaller spring pig crop.

**Meat output** this year promises to be a little larger than in 1959, with a modest gain in beef nearly offset by a decline in pork. However, the total gain in meat production probably will be less than the population increase, so a slight drop in consumption per person is expected.

Farmers will raise fewer **egg-type chickens** this year than last, if they carry out plans reported in early February. The intended cut of 9% would result in the smallest number of chickens raised on record. Laying flock is smaller than a year earlier and is likely to continue so through 1960.

An increase in **feed grain** carryover is likely despite the heavy feeding expected this year. Stocks next October 1 probably will total around 80,000,000 tons, a fifth larger than last October 1.

Despite an increase of about 3,200,000 bales of **cotton** in 1959 production, the carryover of cotton on August 1, 1960 is estimated at 8,500,000 bales, about 400,000 bales lower than on August 1, 1959; a sharp increase in exports and some increase in domestic mill consumption is expected to more than offset the larger 1959 crop.

*Prepared by the U. S. Department of Agriculture*

## 10 Ways to Expand Service

BY exercising intelligence, resourcefulness, and maintaining an aggressive attitude, banks can and will meet the challenge of today's situation in our changing agriculture, said Edgar T. Savidge, deputy manager of the American Bankers Association and secretary of its Agricultural Commission, while speaking before the Agricultural Credit Conference of the Kentucky Bankers Association in Louisville.

"Banks continue to be the most

(CONTINUED ON PAGE 92)

# The Chase Manhattan International Department means fast, fresh facts about foreign trade

When you or your clients need on-the-spot information from any commercially important trade center in the world . . . you can get it quickly through The Chase Manhattan and the more than 51,000 correspondent banks and branches working with us.

Wherever *you* are . . . The Chase Manhattan can put you in almost instant touch with people and services virtually anywhere else on the globe.

Our International Department enables you to get the facts and figures (and banking services) you need for your own use, and that of your depositors, in almost any other part of the world. Our own foreign trade specialists will have many of the answers to your questions. Any they don't have—they can get for you at once.

The Chase Manhattan International Department is just one more reason why bankers the world over pick The Chase Manhattan for their New York correspondent.

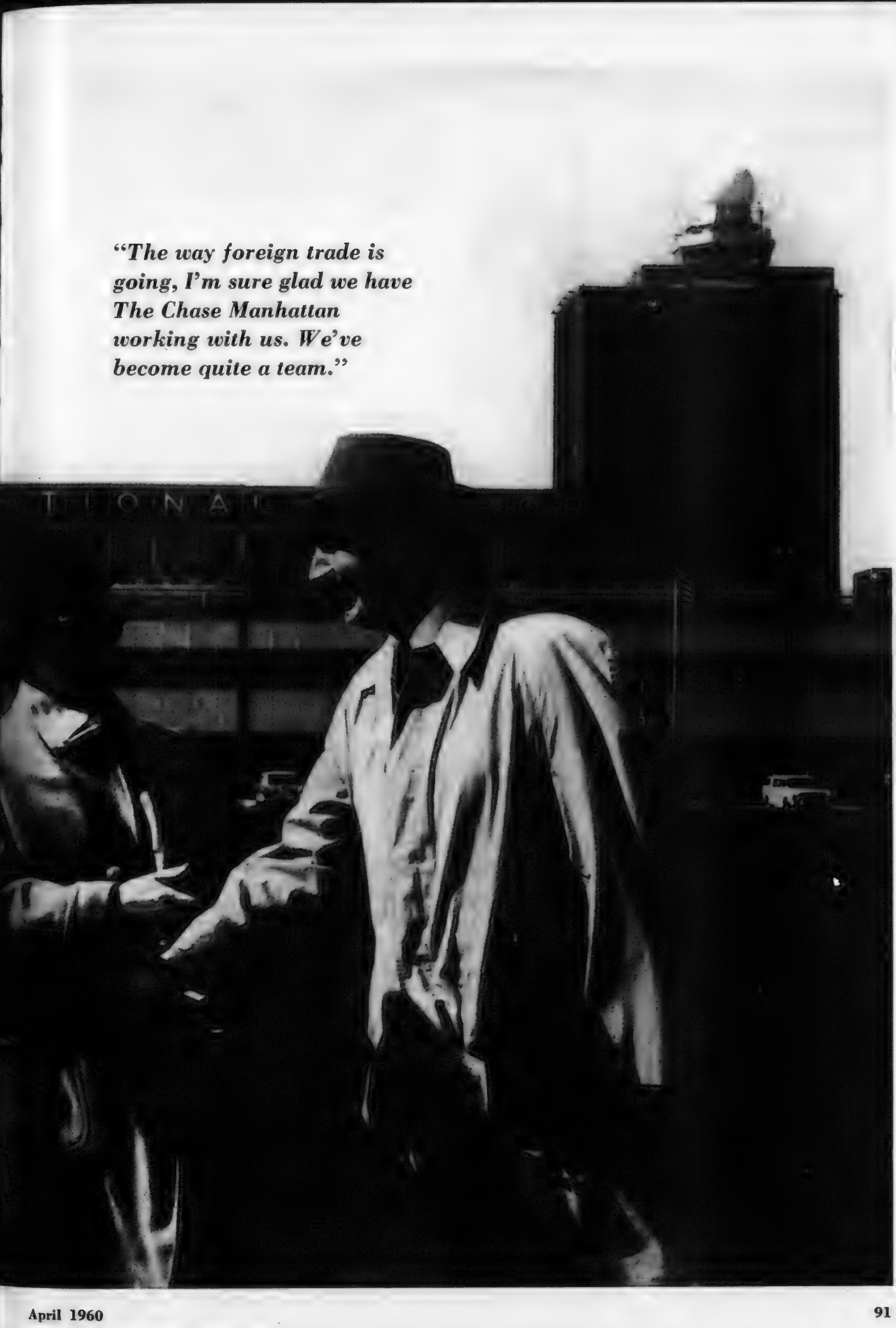
What about you?

THE
CHASE
MANHATTAN
BANK

CHARTERED IN 1799

Head Office: New York 15, N. Y.

*Member Federal Deposit Insurance Corporation*


"The way foreign trade is going, I'm sure glad we have The Chase Manhattan working with us. We've become quite a team."

(CONTINUED FROM PAGE 88)

important source of credit for agriculture," he said, "but if they are to maintain this leadership, they must be alert to the credit needs of a rapidly changing agriculture and adjust their financing practices to meet the current needs of farmers and related businesses.

"The credit requirements of farmers today are staggering by our former standards. Expanded use of credit is likely to continue, and this becomes the challenge for banking."

Mr. Savidge gave approval to 10 ways in which a good many banks are attempting to improve and expand their service to agriculture: Employment of agriculturally trained personnel; giving more emphasis to intermediate term lending; increased attention to correspondent bank relationships when it comes to farm loans; cooperation with life insurance companies on long-term real estate loans; establishment of agricultural credit corporation affiliates; indirect financing of agriculture as result of integration in agriculture and contract farming; increasing capital accounts to enable them to meet growing borrower needs; offering estate planning and trust management service; encouragement of planned record keeping; and selling bank services through improved physical facilities.

## Bread Basket Briefs

Four new **rotary mowers** are now available in the Allis-Chalmers line. They mow pastures, meadows, and heavily weeded areas; chop bush and tree prunings, and cut and shred corn, maize, and cotton stalks, bean vines, and other residues.

* * *

Increased supplies of **fed cattle** on the market will bring lower prices in 1960 and for the next several years, according to *National Live Stock Producer.*

* * *

National Plant Food Institute* has recently published a new **public service film** entitled, *Bread from Stone,* in an effort to present the farmer's story objectively. The film shows how increased efficiency and productivity on the part of the American farmers has created our modern-day miracle of abundant food and fiber.

Although American farmers make up less than 1% of the world's population, they produce one-fifth of the world's output of red meat and one-third of the world's supply of milk.

* * *

Total **cash income received by farmers** in the United States from marketings and Government benefit payments in December 1959 totaled $3,277,000,000, compared with a total of $3,312,000,000 in December 1958. For the entire 1959 year, income from the same sources totaled $33,458,000,000, compared with a 1958 total income of $34,649,000,000, or a decline of $119,100,000.

In December, Government benefit payments to farmers amounted to $53,-000,000, which was the same as for December 1958. For the full year 1959, Government benefit payments amounted to $681,000,000, compared with $1,089,-000,000 in 1958, a decrease of $408,-000,000.

* * *

**Exports of agricultural products** for the year ending June 30, 1960, are expected to be up about 8%. Total agricultural exports for the current year may reach the $4-billion level, provided cotton exports expand as much as anticipated.—*Business Trends,* Federal Reserve Bank of Cleveland.

* 1700 K Street, N.W.
Washington 6, D. C.

## CBOC Reviews Studies

A GROUP of senior bank executives representing thousands of smaller banks in the United States met at an annual executive session of the Country Bank Operations Commission of the American Bankers Association in St. Augustine, Fla.

The purpose of the meeting was to review the progress being made by the Commission on its study of profit-planning for smaller banks; a market research program for smaller banks; a direct verification study; a guide for dealing with overdrafts, uncollected funds, cash and return items; and also a revision of its bank manuals on cost analysis, salary administration; and teller's do's and don'ts.

**At a session of the Country Bank Operations Commission in St. Augustine, Fla. Seated, *left to right,* Messrs. Wiseman, Thompson, Parker, Dean, McKeever, Cooper, Johnson, Carlander, Braley, Gallaugher, Deitrick, and Hauck. Standing, Messrs. Miller, Betts, Amy, and Sadler**

The commission is one of the A.B.A. service groups which devotes its activities to projects of particular interest to smaller nondepartmentalized banks.

Membership of the commission is made up of Thomas G. Wilson, president, First State Bank, Conway, Ark., chairman; George R. Amy, deputy manager, A.B.A., in charge; Charles E. Betts, Jr., A.B.A., secretary; K. G. Braley, president, Farmers Exchange Bank, Cherokee, Okla.; John Carlander, president, State Bank of Faribault, Minn.; Thomas O. Cooper, president, Jefferson (Iowa) State Bank; L. Y. Dean, III, president, Eufaula (Ala.) Bank & Trust Co.; M. C. Deitrick, executive vice-president, Mid-Continent Bank, Pasco, Wash.; Denton A. Fuller, president, Citizens National Bank, Wellsville, N. Y.; F. A. Gallaugher, president, Jeff Davis Bank & Trust Company, Jennings, La.; Joseph A. Hauck, executive vice-president, Exchange Savings Bank, Mount Pleasant, Mich.; Garland Johnson, president, The Bank of Elkin, N. C.; James B. McKeever, executive vice-president, First National Bank of

(CONTINUED ON PAGE 94)


# ALCOA SIDING OFFERS INVESTORS LONG-TERM BENEFITS

**Here's a New Wall of Protection for Home Building and Improvement Departments**

Now beauty, protection and comfort are combined in a single product: Alcoa® Siding . . . made *only* by Aluminum Company of America. Consequent *higher* resale values and *lower* depreciation rates provide a way to gain long-term protection for builder loans.

It's the newest of more than a score of products of Alcoa Aluminum that serve home builders and owners. Built-in insulation, *plus* a strong Alcoa Aluminum alloy, *plus* a finish that won't chip, crack, flake, peel or blister, makes Alcoa Siding a formidable barrier against the most unseasonable weather. Five attractive colors and simple style allow it to blend with any home design. And it even makes remodeling easier by eliminating any "patchwork" effect.

Alcoa Siding is sold exclusively by the dealers of five of the nation's great names in building products . . . companies that represent a total of 396 years of building experience:

The Barrett Division of Allied Chemical Corporation
Bird & Son, Inc. • The Philip Carey Manufacturing Company
The Flintkote Company • Mastic Corporation

Six Alcoa Siding features: The *alclad* process provides corrosion resistance. A *new aluminum alloy* is the strongest ever used in siding. *Bonderizing* makes the new *Alcoa Alumalure® finish* grip the surface. *Foam insulation* and *Alcoa Aluminum Foil* reflective insulation act as barriers to heat, cold and noise.

Intensive advertising and promotion by Alcoa on radio and TV, in magazines and newspapers, in booklets, brochures and other selling aids do a continuous selling job to builders and consumers.

*Watch* for the advertising . . . *be ready* to welcome new building and home improvement loan applications using Alcoa Siding . . . and, for additional information, *write:* Aluminum Company of America, 2208-D Alcoa Building, Pittsburgh 19, Pennsylvania.

ALCOA SIDING
MADE BY ALCOA

**MADE BY ALCOA**

For exciting drama watch "Alcoa Presents" every Tuesday, ABC-TV, and "Alcoa Theatre" alternate Mondays, NBC-TV

(CONTINUED FROM PAGE 92)
Holly, Colo.; Gene E. Parker, executive vice-president, Peoples Bank, Hazard, Ky.; L. G. Sadler, president, The Citizens Bank, Cookeville, Tenn.; Laurel W. Thompson, president, Washburn (Maine) Trust Company; and Blaine H. Wiseman, president, Old Capital Bank and Trust Company, Corydon, Ind.

All members except Mr. Wilson and Mr. Fuller attended the meeting. Also, attending were Melvin C. Miller, deputy manager, A.B.A., and secretary, Bank Management Commission, and Robert C. Bowen, market research specialist on the staff of the Association's Research Council.

## A Fruit Industry Seminar

THE subtropical fruit industry—citrus, avocados, dates—an important arm of California's diversified agriculture, was the subject of the latest seminar sponsored by Bank of America for its branch executives.

Thirty of the bank's officers attended the first annual subtropical agriculture course at the University of California's Citrus Experiment Station in Riverside. The 4-day course brought to five the number of seminars now sponsored by the bank each year. All are designed to keep branch officers throughout the state abreast of latest developments and problems in the various segments of California's industry with which they deal in their day-to-day banking duties.

During classroom sessions the bankers examined with faculty plant pathologists the problems of virus, fungus, bacterial, and storage diseases faced by citrus farmers; nemotologists and entomologists outlined the continuing chemical, biological, and nematode battle with pests; a plant physiologist explained weed control practices. Other faculty members participating include horticulturalists, economists, and irrigation and soils specialists.

Field trips to local citrus orchards and packing plants augmented the lectures. Evening lectures were given on marketing research, development, pricing, and problems by guest experts from three leading subtropical fruit cooperatives. Financing the subtropical agriculture industry was covered in an evening panel discussion by five Bank of America senior lending executives.

The other four bank-sponsored seminars cover farm and industrial management, agribusiness, and livestock.

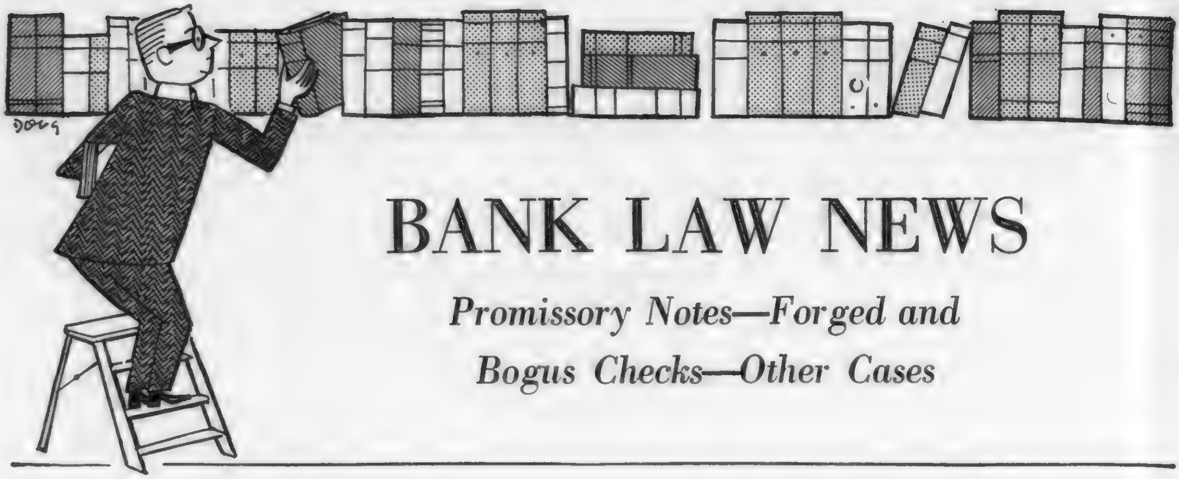
## Iowa Holds Credit School

THE fifteenth annual Agricultural Credit School sponsored by the Iowa State University and Iowa Bankers Association will be held at the University in Ames, June 13-24, 1960.

The 1960 program includes daily sessions on the analysis of credit requirements of the various types of farm businesses, farm management, and the administration of agricultural credit.

The curriculum is planned on a 2-year basis, with certificates of completion given to each person completing program. Registration fee is $50 per person plus board and room and the school is open to anyone interested in the course. Write H. B. Howell, director, Agricultural Credit School, Department of Economics, Iowa State University, Ames, or the Iowa Bankers Association, Des Moines.

(CONTINUED ON PAGE 142)



# BANK LAW NEWS

## *Promissory Notes—Forged and Bogus Checks—Other Cases*

### PROMISSORY NOTES

**Corporate officer, signing corporate notes without indicating his representative capacity, held personally liable.**

A PITFALL for corporate officers to steer clear of was pointed out in a recent case of first impression in the Superior Court of New Jersey. A corporate officer can avoid personal liability on a corporate note by indicating that he signs in his representative capacity. Failure to do so may result in personal liability on the note, and that is exactly what happened in this case.

The notes read "We promise to pay," and were executed as follows:

TEAL CORPORATION
*J. Harold Semar*
*Christopher A. Beling*

The plaintiff, alleging that he was a holder in due course of the notes, brought action only against Beling.

The defendant contended that the face of the notes, that is the typed corporate name followed by the two signatures, "must raise a question in the minds of all (including those who would otherwise be holders in due course) as to the capacity in which the individuals signed." This ambiguity, argued the defendant, precluded the plaintiff from becoming a holder in due course. Therefore, he contended, parol evidence should be admissible to show that he had signed only as treasurer, with no intention to bind himself personally.

No ambiguity existed and parol evidence was not admissible, said the court. The specific question in this case was the liability of the second signer below the corporate name, a question not previously decided in any reported New Jersey decision. The court stated that a distinction must be made between a case in which only one individual name follows the corporate signature and a case, such as this one, where the corporate signature is followed by two individual signatures.

When "businessmen see a typed corporation name followed by the signature of an individual who does not state the capacity in which he signs, they usually do believe that the individual is signing as agent for the corporation. But is it reasonable to assume that businessmen have the same belief as to the second (or third or subsequent) individual signer who signs in the style and the place at which Beling signed?

Answering its own question, the court stated: "We think not. We think that a businessman . . . would assume that *this* signature of Beling's on *this* note is that of a co-maker." Norman v. Beling (N. J. Super. Ct.) 157 Atl. (2d) 17.

### *Question Box*

*THE payee of a check bearing the drawer's forged signature received payment from the drawee bank. The drawer sued the payee for the amount of the check. Can it recover?*

No. The Ohio Court of Appeals ruled that the drawer had no right of action against the payee, although it could recover from the drawee. Kares Construction Co. v. Associates Discount Corp. (Ohio App.) 163 N.E. (2d) 913.

*A DRAWEE bank was induced, by the false pretenses of the payee, to cash, eight months after its date and when there were sufficient funds in the account, a corporate check, payment of which had been guaranteed by certain stockholders. After paying the amount of the bank's loss, the bank's bonding companies sought to recover from the guarantors. Are they liable?*

Yes. The Mississippi Supreme Court ruled that the guarantors' liability to payee was discharged out of the bank's funds and it would be inequitable to deny the bank or its indemnitors a right of recovery. Presley v. American Guar. & Liability Ins. Co. (Miss.) 116 So. (2d) 410.

### FORGED CHECKS

**In North Carolina, depositor's failure to give notice required by forged check statute not excused even if checks were removed from bank statements by depositor's employee.**

THE North Carolina forged check statute, Gen. Stat., §53-52, provides that no bank shall be liable to a depositor for paying a forged check "unless within 60 days after the receipt of such voucher by the depositor he shall notify the bank that such check or order so paid is forged."

The North Carolina Supreme Court stated recently that a bank,

(CONTINUED ON PAGE 98)

(CONTINUED FROM PAGE 96)

seeking the protection afforded by this statute, must show delivery of the voucher to the depositor at least 60 days before the claim is made. When that fact is established, said the court, it constitutes a complete defense to a claim based on such voucher.

The depositor in this case testified that he had not received the forged checks. He suggested that they had been removed from the statements mailed by the bank by the employee who had forged the checks and, therefore, that his claim was not barred with respect to the checks so removed.

This was the court's answer to the depositor's contention "The mailing of the statements and checks and the acceptance thereof from the Post Office by plaintiff [depositor] in person or through his authorized agent constituted a 'receipt' by plaintiff within the meaning of the statute. Once the vouchers came into plaintiff's possession, actual or constructive, by delivery to his authorized agent, the clock started and time began to run against the depositor. It makes no difference whether he looked at his statement and failed to discover the voucher or if, as is here suggested, the agent was again unfaithful to his trust and extracted the vouchers from the statement before the depositor had an opportunity to examine the statement." Schwabenton v. Security Nat. Bank of Greensboro (N. C.) 111 S.E. (2d) 856.

### BOGUS CHECKS

**Under District of Columbia Code, drawer of worthless check commits crime of obtaining property by false pretenses when check is cashed, although casher is subsequently reimbursed.**

THIS case is interesting, we believe, if only because it shows the application of old confidence game techniques to a new commercial phenomenon, the modern credit card.

The "con" man's modus operandi was very simple. He registered at four hotels. In swift sequence, and with the aid of his credit card, he cashed a check at each hotel. The checks, of course, bounced. The hotels, however, were reimbursed by the issuer of the credit card.

The confidence man was indicted, under Title 22, §1301, District of Columbia Code, for obtaining money

by false pretenses in cashing checks which he had no reason to suppose would be honored.

He admitted cashing the checks and also admitted not having sufficient funds on deposit to meet the checks. However, he argued that the hotels had not been defrauded because they were, in effect, "insured" by the issuer of the credit card and had, in fact, been reimbursed.

This argument, said the court, misconstrued the nature of the offense. The crime is the obtaining of something of value through a false representation. And, said the court, it is "committed and complete the instant the maker of the check receives cash from one who relies on the checks under circumstances where the maker 'has no reason to suppose it will be honored' when presented. It is immaterial that a third party, be it guarantor, endorser, or insurer, makes good the payee's [hotel's] loss. The offense is not 'purged by subsequent restoration or repayment.'" Gilmore v. United States (C.A., D.C.) 273 Fed. (2d) 79.

### BRIEF NOTES ON OTHER CASES

**Usury.** Money paid or promised to borrower's agent by borrower for obtaining loan may not be added to legal interest charged by lender so as to make loan usurious, where lender did not receive, and had no agreement to receive, any part of money paid or to be paid to borrower's agent. Cutri Enterprises, Inc. v. Pan American Bank of Miami (Fla. App.) 115 So. (2d) 592.

**Promissory notes.** Where note was executed by husband and wife, and husband received a discharge in bankruptcy, defense of discharge in bankruptcy was available to wife as well as to husband in action brought on the note. Fetter v. United States (C.A., Mich.) 269 Fed. (2d) 467.

**Holder in due course.** In a Colorado case of first impression, bank held not holder for value where it discounted note for a depositor and credited proceeds to depositor's account, but depositor did not draw against the credit; mere crediting of depositor's account, without more, does not constitute giving of value. Atkinson v. Englewood State Bank (Colo.) 348 Pac. (2d) 702.

# BANKING NEWS

## Stonier Graduate School Strengthens Curriculum With Program of Senior Quizzes and Reports to Management

Two innovations designed to strengthen the curriculum of The Stonier Graduate School of Banking were announced on March 3 at the annual faculty meeting at the Columbia University Club.

Dr. E. Sherman Adams, director, stated that the school will inaugurate a program of quizzes at the next resident session in June and that it is adopting a policy of making systematic reports of students' performance to the management of their institutions. The school is conducted by the American Bankers Association at Rutgers—The State University, New Brunswick, N. J., for bankers of officer rank.

Quizzes will be given only in courses for seniors at the 1960 resident session, Dr. Adams said. He explained that seniors in the 3-year program are not required to do extension problems based on resident-session instruction, as is the case with first- and second-year students.

The quizzes will be based entirely on classroom work during the resident session. They will be graded, and the grades will constitute part of each student's permanent record.

The new moves were described by Dr. Adams as "additional steps in the school's overall policy of continuing to upgrade both the quality of its program and the standards of student performance."

He pointed out that examinations are widely recognized by educational institutions as being valuable to teachers in appraising the effectiveness of their presentations, as well as to students.

Dr. Adams said that the management of each bank having an officer in the student body will be offered regular progress reports. Fees and other expenses of virtually all students attending the school are paid

(CONTINUED ON PAGE 103)

**Seven of the new members of The Stonier Graduate School of Banking faculty attending the annual faculty meeting at the Columbia University Club in New York on March 3. *Left to right, front row,* B. P. Sherwood, president, Security First Bank and Trust Company, Grand Haven, Mich.; Harold E. Jenkins, vice-president and director of research, Traders National Bank, Kansas City; and H. Wendell Phillips, vice-president, Morris County Savings Bank, Morristown, N. J. *Second row,* Frederick Lynch, Jr., senior vice-president, Central National Bank, Cleveland; Roger A. Lyon, assistant vice-president, Chase Manhattan Bank, New York; Dr. John H. Nixon, director of area development, Committee on Economic Development, New York; and Professor William E. Dunham, department of economics, University of Rochester, Rochester, N. Y.**

## A.B.A.'s Third Regional Workshop Will Be Held in Chicago on May 15-17

The third of a series of regional mortgage workshop meetings under the sponsorship of the Department of Mortgage Finance of the American Bankers Association is being planned for Chicago May 15-17. General chairman of the workshop is David M. Kennedy, chairman of the board, Continental Illinois National Bank and Trust Company.

While hotel arrangements were not complete at press time, plans for the conference anticipate that bank mortgage officers from the states of Illinois, Indiana, Michigan, Ohio, and Wisconsin will participate in two days of working sessions.

On Sunday, May 15, there will be registration and a reception. On Monday and Tuesday, May 16 and 17, the program will be devoted to a series of seminars and clinic-type sessions in which mortgage officers will participate with recognized authorities in developing information useful to banks in the formulation of their own lending policies.

## *Treasury's Currency Transaction Instructions Are Briefed on 3" x 5" Cards*

The U. S. Treasury Department has summarized on a 3" x 5" card the revised instructions of August 3, 1959, for the reporting of large and unusual currency transactions on Form TCR-1—"Report of Currency Transactions." A supply of these reminder cards has been sent to banks for distribution to their tellers. Additional cards may be obtained from the district directors of Internal Revenue located in the 12 principal Federal Reserve bank cities.

"These cards, when placed in tellers' cages, will serve not only as a reminder to the teller of the importance of these reports to the Treasury but will also keep before him the type of transactions that should be reported," said Under Secretary Julian B. Baird.

# 5 Operating Manuals for Banks Discussed at A.B.A. Bank Management Meeting

### Will Cover Investments, Check Standardization, Endorsement

The Bank Management Commission of the American Bankers Association, in its recent 3-day annual executive session held in Hollywood, Fla., reviewed thoroughly its many projects, closing some as completed, starting new ones to meet new needs, and charting its progress on many others.

The Commission is a working group of the A.B.A., made up of 15 leading bank operating officers. Its work is concerned primarily with improving internal procedures and systems within banks. At the present time it is addressing itself to some 30 projects.

Five of these projects will eventually culminate in operating manuals for banks; one is to become a series of investment manuals. Among the projects undergoing intensive study are the long-continuing work on check standardization and simplification, as well as studies of bank endorsement stamp revision, mechanization of check handling, drive-in banking, retention of bank records, life insurance loans, commercial bank investment policy, and revision of the booklet on standards for bank general ledger accounts and statements of condition and operation.

### Automatic Handling of Checks

A major project which has occupied the commission for several years—and on which rapid progress is now being made—is the automatic handling of checks within the banks. Its adoption of the "common machine language" to be imprinted in magnetic ink on checks for handing electronically is widely hailed as a major banking accomplishment.

Commission members in attendance at the annual meeting included: G. Edward Cooper, senior vice-president, Philadelphia National Bank, chairman; R. A. Bezoier, president, First National Bank, Rochester, Minn.; Russell A. Blanchard, executive vice-president, Georgia Railroad Bank and Trust Company, Augusta; Philip H. Cordes, assistant comptroller, Continental Illinois National Bank and Trust Company, Chicago; Oliver L. Dalrymple, vice-president and cashier, Seattle-First National Bank; Frank M. Dana, executive vice-president, Bank of America N.T. & S.A., San Francisco; John A. Kley, president, The County Trust Company, White Plains, N. Y.; Raymond C. Kolb, vice-president, Mellon National Bank and Trust Company, Pittsburgh; Wesley Lindow, vice-president and secretary, Irving Trust Company, New York; Moncure P. Patteson, vice-president, State-Planters Bank of Commerce and Trusts, Richmond, Va.; J. Robert Sherwood, president, Suburban Trust Company, Hyattsville, Md.; E. C. Underhill, cashier, Idaho First National Bank, Boise; John H. Wurts, president, Marine Midland Trust Company of Southern New York, Binghamton; Harold E. Randall, vice-president and comptroller, The First National Bank of Boston; and Melvin C. Miller, deputy manager, A.B.A., secretary. Commission member Fred H. Waterhouse, vice-president, First National Bank of Minneapolis, was unable to attend.

**At a working-session of the A.B.A.'s Bank Management Commission: Clockwise *around the table*, Messrs. Kolb, Lindow, Bezoier, Sherwood, Wurtz, Blanchard, Cooper, Miller, Underhill, Patteson, Cordes, Kley, Randall, Dana, and Dalrymple**

# Education and Training Are Features of Ass'n of Bank Women's Regionals

Education and training for women who wish to progress in banking careers is to be among the topics discussed at six regional conferences sponsored by the National Association of Bank Women during the spring, according to Helen L. Rhinehart, NABW president and vice-president of the Brenton Companies, Des Moines, Iowa.

The first of the regionals—the Southwestern—was held in Tyler, Tex., on March 25-27, with Dollie Riviere, vice-president, Tyler Bank and Trust Company, serving as chairman.

### Conference Schedule

The schedule for other conferences:

*Rocky Mountain Division:* April 23-24—Western Skies Hotel, Albuquerque, N. M. Chairman, Lillian Dolde, vice-president, Albuquerque National Bank.

*Middle Atlantic, North Atlantic, and New England divisions:* April 29-May 1—Haddon Hall, Atlantic City, N. J. Chairman, Helen C. Rathbun, assistant trust officer, Guarantee Bank and Trust Company, Atlantic City.

*Northwestern Division:* May 6-8—Ridpath Hotel, Spokane, Wash. Chairman, Laura Schragg, Washington Trust Bank, Spokane.

*Southern and Southeastern division:* May 13-14—Mountain View Hotel, Gatlinburg, Tenn. Chairman, Maisie G. Scott, assistant cashier, Bank of Knoxville, Tenn.

*North Central, Lake, and Mid-West divisions:* May 20-21—St. Paul Hotel, St. Paul, Minn. Co-chairmen, Jennie R. Williams, Northwestern National Bank, St. Paul, and Elizabeth Hagerty, American National Bank, St. Paul.

Miss Rhinehart as well as NABW Vice-president Marion Anderton, assistant cashier, Bank of America N.T. & S.A., San Francisco, expect to attend all of the conferences.

# Program for A.I.B.'s 58th Convention Is Announced by Ralph H. Mittendorff

**Public Speaking Contest Will Be Held May 30; Debate on May 31**

The advance program for the 58th annual convention of the American Institute of Banking, educational section of the American Bankers Association, has been announced by Ralph H. Mittendorff, president of the Institute and vice-president of American Security and Trust Company, Washington, D. C. The convention will be held in Boston May 30-June 3, with headquarters at the Statler Hilton.

Key speakers will address the two general business sessions—one of which opens the meeting, the other on the closing day.

Featured speaker at the opening session on Monday, May 30, is Dr. Ralph W. Sockman, minister of Christ Church (Methodist) in New York for over 40 years and who since 1928 has been heard throughout America on the "National Radio Pulpit."

**J. L. Robertson to Speak**

The speaker on the final day is J. L. Robertson, member of the board of governors of the Federal Reserve System, Washington, D. C., since 1952. Except for service in the Navy, he has been in government service since 1928. He has served with the Senate Post Office, the FBI, and was for many years in the office of the Comptroller of the Currency, for eight years of which he was Deputy Comptroller. Governor Robertson has been admitted to the bar of the Court of Appeals, District of Columbia, and to the bar of the United States Supreme Court.

Among other outstanding events on the convention program will be the National Public Speaking Contest for the A. P. Giannini Educational Endowment prizes on Monday evening, May 30; the National Debate Contest for the Jesse H. Jones National Convention Debate Fund prizes on Tuesday evening; and the National Publicity Exhibit, to be judged on Monday.

Monday afternoon, Wednesday morning, and all day Tuesday and Thursday will be devoted primarily to a series of conferences on various aspects of banking and A.I.B. work. The Departmental Conferences will cover the various fields of banking; the Institute Conferences will cover A.I.B. educational, chapter administration, and women's activities.

Following the custom of many years, Wednesday afternoon of convention week will be devoted to an outing for delegates. This year it will be a pilgrimage to Plymouth, for a visit to points of historic interest such as Plymouth Rock, the Mayflower, and to colonial restorations. A buffet supper will be served in Plymouth. Other social activities will include a "Get Acquainted Hour" on opening day, informal dancing after the Monday evening session, and the President's Ball in the Statler Hilton on Friday evening.

Delegates will elect officers for 1960-61—president, vice-president, and four members of the Executive Council, the Institute's governing body.

The 5-day convention will be attended by delegates from the 487 A.I.B. chapters and study groups throughout the United States, representing more than 155,000 Institute members. This will be the third A.I.B. convention to be held in Boston, the others having taken place in 1920 and 1940.

# Speakers at A.B.A. Southern Trust Conference in St. Petersburg, May 12-13, Announced by C. W. Hamilton

Speakers at the American Bankers Association's third annual Southern Trust Conference, to be held May 12-13 in St. Petersburg, Fla., have been announced by Charles W. Hamilton, president of the Association's Trust Division. Mr. Hamilton is senior vice-president and trust officer, The National Bank of Commerce, Houston, Tex.

C. W. Hamilton

W. R. Barnett

The conference, under the general chairmanship of Dean C. Houk, vice-president and trust officer, Union Trust Company, St. Petersburg, will be sponsored by banks with trust departments in Florida's "Golden Triangle" area including St. Petersburg, Tampa, Clearwater, and Dunedin. It is expected to attract trustmen from Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

Speakers at the opening session will include, in addition to Mr. Hamilton, W. R. Barnett, president of the Florida Bankers Association and president, Barnett National Bank, Jacksonville, who will extend a welcome to the delegates; Turner Rice, vice-president and trust officer, Birmingham (Ala.) Trust National Bank, who will speak on "Recruitment and Training of Trust Personnel"; A. M. McNickle, vice-president, Fidelity Trust Company, Pittsburgh, whose topic will be "The Power of Speech to Stir Men's Blood"; and J. Anton Conner, Review Section chief, Federal Deposit Insurance Corporation, Washington, who will talk on the "Observations of a Trust Examiner."

The second session will be devoted to a panel on "Taxation," which will be composed of Leonard W. Cooperman and William J. McLeod, attorneys at law, St. Petersburg, and John Trenam, attorney at law, Tampa.

Colonel A. K. Stiles, Hollywood, Fla., will address a dinner session on Thursday.

**Third, Fourth Sessions Speakers**

Speakers at the third and fourth sessions include:

"Trust Services beyond the Call of Duty," by President Hamilton.

"Pension and Profit-Sharing Trusts," by Joseph R. Gathright, vice-president and trust officer, Kentucky Trust Company, Louisville.

"Double Domicile and Conflict of Laws," by Joseph A. McClain, Jr., attorney of Mabry, Reaves, Carlton, Fields & Ward, Tampa.

"Common Trust Funds," by Charles S. Onderdonk, III, trust investment officer, Montgomery County Bank and Trust Company, Norristown, Pa.

"Trust Investments," by Joseph A. Jennings, vice-president, State-Planters Bank of Commerce and Trusts, Richmond, Va.

# Harold L. Cheadle Is Named Secretary of A.B.A.'s Government Borrowing Comm.

### Will Retain His Duties on A.B.A. Anti-Inflation Project

Harold L. Cheadle has been named secretary of the Government Borrowing Committee of the American Bankers Association, according to an announcement by Merle E. Selecman, executive vice-president of the Association. In his responsibilities to this committee, Mr. Cheadle succeeds Eugene C. Zorn, Jr., who has resigned from the A.B.A. staff to become vice-president and economist of the Republic National Bank of Dallas, Tex.

Chairman of the Government Borrowing Committee is Robert V. Fleming, chairman of the board, The Riggs National Bank, Washington, D. C., and a former A.B.A. president.

Mr. Cheadle joined the staff of the A.B.A. in August 1959 as secretary of the Committee for Economic Growth Without Inflation, which post he will continue to hold in addition to his new duties with the Government Borrowing Committee.

Before coming with the A.B.A., Mr. Cheadle was senior economist with the Federal Reserve Bank of Chicago. He was born in Salem, S. D., and is a graduate of Miami University, Oxford, Ohio, and has done graduate work in the School of Social Sciences and Public Affairs at American University, Washington, D. C.

### Naval Officer During WW II

His academic career was interrupted by World War II in which he served as an officer in the Navy on the aircraft carriers *Lexington* and *Enterprise*. From 1946 to 1948, he was international economist for the Legislative Reference Division of the Library of Congress, going from there to the Board of Governors of the Federal Reserve System in Washington as a staff economist before joining the Federal Reserve Bank in Chicago in 1953.

In addition to Chairman Fleming, other members of the Government Borrowing Committee are:

Henry C. Alexander, chairman of board, Morgan Guaranty Trust Company of New York; Bruce Baird, president, National Savings and Trust Company, Washington, D. C.; S. Clark Beise, president, Bank of America N.T. & S.A., San Francisco; Kenton R. Cravens, president, Mercantile Trust Company, St. Louis; Fred F. Florence, chairman, Executive Committee, Republic National Bank of Dallas; Charles J. Gable, Jr., senior vice-president, First Pennsylvania Banking and Trust Company, Philadelphia; John M. Griffith, president, City National Bank, Taylor, Tex.; H. Frederick Hagemann, Jr., president, Rockland-Atlas National Bank of Boston; N. Baxter Jackson, chairman, Executive Committee, Chemical Bank New York Trust Company, New York; David M. Kennedy, chairman of board, Continental Illinois National Bank and Trust Company, Chicago; Homer J. Livingston, chairman of board, The First National Bank of Chicago; John J. McCloy, chairman of board, The Chase Manhattan Bank, New York; Lee P. Miller, chairman of board, Citizens Fidelity Bank and Trust Company, Louisville, Ky.; Reno Odlin, president, Puget Sound National Bank, Tacoma, Wash.; F. Raymond Peterson, chairman of board, First National Bank of Passaic County, Paterson,

(CONTINUED ON PAGE 106)

H. L. Cheadle

L. E. Kreider

### Stonier Graduate School

(CONTINUED FROM PAGE 100)

by their banks, he noted, and management of the banks is entitled to receive such information. Previously, reports of this kind were supplied when requested but not as a matter of regular procedure.

In attendance at the all-day meeting were a majority of the 110 banking leaders, academicians, and others who will comprise the faculty of the school this year.

Among topics discussed were procedures and criteria to be followed by examiners who conduct oral examinations of seniors on their theses—a graduation requirement.

The 1960 resident session will be held June 13-25. An enrolment of around 1,100 is expected.

# Dr. L. E. Kreider Is Named Secretary of Committee on Credit Unions, A.B.A.

### Drops Agricultural Commission Duties to Give Full Time to CCU

Dr. Lawrence E. Kreider has been appointed secretary of the Committee on Credit Unions of the American Bankers Association, according to Merle E. Selecman, executive vice-president of the Association.

Dr. Kreider also will succeed Eugene C. Zorn, Jr. Dr. Kreider will devote his full time to his new assignment with the Committee on Credit Unions.

Dr. Kreider joined the A.B.A. staff in February 1956. He became assistant secretary of the Agricultural Commission in October 1956. Before coming to the A.B.A., he was agricultural economist for the Federal Reserve Bank of St. Louis and a member of the Federal Reserve Agricultural Research Advisory Committee.

He was born in South Whitley, Ind., and attended Purdue University, Ohio State University, and the University of Chicago. He holds B.S., M.S., and Ph.D. degrees from Purdue. He is a member of the class of 1959 of The Stonier Graduate School of Banking conducted by the American Bankers Association. He will continue to be course administrator for thesis and extension work at the school.

### An Army Reservist

During World War II, Dr. Kreider served with the United States Army and presently holds the rank of lieutenant colonel in the reserves. After his graduation from Purdue, he operated a commercial farm and served with the Farm Credit Administration, conducting research study. He joined the Federal Reserve Bank of St. Louis in 1953.

Chairman of the Committee on Credit Unions is Archie K. Davis, chairman of the board, Wachovia Bank and Trust Company, Winston-Salem, N. C.

# Instalment Credit News

### Many Watchful Eyes on Consumer Credit

**"We are virtually walking a tightrope," warns Louis J. Asterita, deputy manager and secretary of the Instalment Credit Commission of the American Bankers Association. "Keeping our balance during the next year is going to be all-important."**

"Of one thing you can be certain," Mr. Asterita said before the Fourth Annual Instalment Credit Seminar of the Alabama Bankers Association held early this year, "there will be more credit extended this year; and as a result, you will see and hear more publicity about restraints, selectivity, and controls. Because of its popularity, instalment credit has become one of the most discussed subjects in retail banking. It is a target for reformers, both private and political. Their proposals carry several labels, and all purport to 'protect the consumer.' Bankers must do everything possible to help achieve sound economic growth and to avoid any extension of credit which tends to aggravate inflationary tendencies."

◆ ◆ ◆

### Charge Account and Check-credit Interest Ebbing

**Advertising of charge account banking and check-credit plans has dropped considerably since last summer, says Mr. Asterita. So has the number of new entries into those fields.**

"Most plans adopted in the past year or so came into existence before the effects of the 1958 recession had completely worn off," Mr. Asterita explains. "Banks were looking for ways to keep their money employed."

"Tight money" has changed all this. Low, slow profits may be making banks think that there are more immediately profitable things to do with that money which is available, opines one financial publication. Some big banks which entered the charge account field in late 1958 are still anticipating profits. This situation was expected by banks entering the field at that time, and Chase Manhattan, for one, expects to be operating its charge plan at a profit in the near future. **Franklin National Bank of Long Island, N. Y., in the charge account banking business since 1952, according to reports last year earned less than 1% on a volume of $4,300,000. Among banks which have given up this service recently are City Bank and Trust Company of Milwaukee, and New Jersey Bank and Trust Company, Passaic.**

◆ ◆ ◆

### Consumer Credit Runs Third in Postwar Credit Growth

**Consumer credit has expanded by around 11% over the years from 1946 through 1959. Mortgage debt increased almost three times as much as this during the same period, however.** There was a 36% increase in mortgage outstandings in these years since World War II, says Roy Reierson, Bankers Trust Company, N. Y., economist and vice-president. **Bank loans, excluding mortgages, consumer and security credit, increase about 11% in the same period—just a fraction more than did consumer credit.**

### Bank Advertises Auto Loans All Around the Lot

**This 120-ft. long, full-color cartoon spectacular describing the advantages of the Broad Street National Bank's 4% auto loan, is located in the heart of the Trenton, N. J. business district. The billboard surrounds the site of the bank's future downtown headquarters and is directly across from the present main office**

In a report submitted to Congress' Joint Economic Committee, Mr. Reierson pointed out that the $19-billion increase in short-term credit outstanding in 1959 was due not only to the much-publicized increase in consumer credit outstandings but also because the commercial banking sector furnished a record amount of funds to the short-term market.

◆ ◆ ◆

## Current Loan/Deposit and Loan/Earnings Ratios Released by A.B.A.

**Instalment loan outstandings seem to decrease as bank size increases, according to new A.B.A. figures. The portion of a bank's earnings brought in by instalment loans also tends to be smaller as the bank's total loan and discount activity grows.**

Some 340 of the nation's outstanding commercial banks engaged in the field of lending cooperated with the American Bankers Association Instalment Credit Commission in supplying these statistics.

**Small banks—though not the smallest—show the highest proportion of total deposits invested in instalment credit outstandings. Banks in the $10-25,000,000 category invest some 15.53% of their deposits in instalment credit, says the A.B.A.** Smaller banks, with deposits of under $10,000,000 seem to invest just a little less in instalment loans—15.32%. In deposit totals of $25,000,000 and more, the proportion invested in instalment outstandings decreases, as money put into mortgage, other lending, and securities goes up. Banks with total deposits of from $25-50,000,000 put 13.46% of this into instalment credit; from $50-100,000,000, 10.63%; with over $100,000,00, only 9.15%.

◆ ◆ ◆

**According to the same report, the ratio of instalment credit to total loans and discounts extended (including mortgages and excluding securities) declines as the amount invested in total increases.**

**Banks with $10,000,000 or less in total loan outstandings, including mortgages, have about 37.18% of this invested in instalment credit. The proportion then goes down as the total amount goes up.** Total outstandings of from $10-25,000,000 contain an average of 26.34% in instalment credit; from $25-50,000,000, 21.41%; from $50-100,000,000, 20.96%; and over $100,000,000, 15.27%. **Earnings follow a similar pattern.** Banks with a gross income of $10,000,000 or less on their total loans and discounts can accredit about 43.17% of that income to instalment credit. Banks with from $10-25,000,000 gross loan and discount income can figure that instalment credit makes up 37.98% of it.

◆ ◆ ◆

## For Reading and Distribution

Printed matter: *Sales Financing and Better Living*—a 38-page booklet of facts and figures, available for the writing, from the American Sales Finance Conference, 176 West Adams Street, Chicago 13.

And, from the Bureau of Business Research at Western Reserve University: *Consumer Credit Facts for You* (educational, not just promotional, for classrooms or customers) and *Small Loan Laws* (revised in 1958). 30 cents a copy, or special prices in bulk.

◆ ◆ ◆

## Check-Credit Totals Top Charge Account by 6-to-1

**Check-credit is already responsible for six times as much in outstandings as is charge account banking. Only 2.31% of total bank instalment credit outstandings come from charge account banking and check credit plans, according to new A.B.A. figures. Check credit accounts for 1.98% of this, while charge account banking outstandings only make up .33% of the total.**

In a survey responded to by 465 of the biggest lenders and banks in the most populous areas of the country, the A.B.A. Instalment Credit Commission came up with a total of 12,738,304 accounts outstanding for these banks in the total amount of $9,750,948,440, representing over 65% of the instalment credit outstandings in the country. The average balance outstanding per account is $766.

The average check-credit approval is slightly above this—$770. But only $559 of this is in use, on the average. 182 of the banks responding have check-credit plans, with outstandings totaling $301,615,863. **The average charge banking outstanding for those banks participating—some 42—is only $54, and total outstandings reported by these banks in this category amount to $32,116,591 for 596,056 accounts.**

Some 107 of these banks have or plan to formalize college tuition programs. The average loan size reported is $928.

# John F. Rolph, III, Joins Legal Staff of A.B.A.'s Washington Headquarters

John Fletcher Rolph, III, has joined the staff of the American Bankers Association as a counsel in its Washington Office, according to announcement by Executive Vice-president Merle E. Selecman.

Mr. Rolph had been vice-president of W. S. Morsell & Co., Inc., an insurance brokerage firm, in his native city of Baltimore, Md., since August 1958. Previously he served more than a year in Washington on the staff of the general counsel of the Board of Governors of the Federal Reserve System, and six years with the National Security Agency at Fort Meade, Md.

Mr. Rolph was awarded a Bachelor of Laws degree in 1955 at George Washington University Law School. He completed pre-legal undergraduate studies at George Washington University, majoring in political science and foreign affairs. A member of the American Bar Association, Mr. Rolph has been admitted to practice in Maryland and the District of Columbia.

Mr. Rolph fills a new position in the legal staff of the A.B.A.'s Washington Office, which is headed by Ben C. Corlett, senior vice-president. Other staff members are J. O. Brott, general counsel; Charles R. McNeill, assistant general counsel; and Charles T. O'Neill, assistant to the general counsel.

# B. F. Zuccardy Joins A.B.A. Economic Growth Without Inflation Committee Staff

Bernard F. Zuccardy has been employed by the American Bankers Association as a member of the staff of its Committee for Economic Growth Without Inflation, according to Executive Vice-president Merle E. Selecman. Mr. Zuccardy assumed his duties at the New York headquarters of the Association on March 16.

Mr. Zuccardy is a native of Noank, Conn., and received his educational training at the University of Connecticut; the University of Cincinnati; and American University, Washington, D. C., receiving a B.S. in Business Administration from that institution in 1949. He continued with graduate work at American University for some time thereafter.

During the war, he was in the Army Air Force and saw service in Guam, Japan, and Washington, D. C.

He was employed by the Chamber of Commerce of the United States, Washington, D. C., from 1952 to 1955 as secretary of its Committee on Business Statistics. He also worked as an economic analyst for the Department of Defense developing information useful in the formulation of budgets, international commodity agreements, and trade policy. From 1956 to 1960 he has been a free-lance economic consultant with clients including Americans for Economic Freedom; Americans for Constitutional Action; National Small Business Men's Association; and the firm of Walker & Crenshaw, Inc., New York City.

## Cheadle Is Named Sec'y Government Borrowing Comm.

(CONTINUED FROM PAGE 103)

N. J.; Dietrich Schmitz, chairman of board, Washington Mutual Savings Bank, Seattle; Earl B. Schwulst, president, The Bowery Savings Bank, New York; Norfleet Turner, chairman of board, First National Bank of Memphis, Tenn.; A. L. M. Wiggins, chairman of board, The Bank of Hartsville, Hartsville, S. C.; and Paul I. Wren, executive vice-president, Old Colony Trust Company, Boston.

## CALENDAR, 1960-1961

1960 APRIL 1960

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | | 1 | 2 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | 27 | 28 | 29 | 30 |

MAY

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 29 | 30 | 31 | | | | |

JUNE

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | 1 | 2 | 3 | 4 |
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| 26 | 27 | 28 | 29 | 30 | | |

JULY

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | | 1 | 2 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | 27 | 28 | 29 | 30 |
| 31 | | | | | | |

AUGUST

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| 21 | 22 | 23 | 24 | 25 | 26 | 27 |
| 28 | 29 | 30 | 31 | | | |

SEPTEMBER

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | 1 | 2 | 3 |
| 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| 25 | 26 | 27 | 28 | 29 | 30 | |

### American Bankers Association

| | | |
|---|---|---|
| May | 12-13 | Southern Trust Conference, Colonial Inn-Desert Ranch, St. Petersburg, Fla. |
| May | 15-17 | Third Regional Mortgage Workshop Meeting, Edgewater Beach Hotel, Chicago |
| May | 30-June 3 | American Institute of Banking, Statler Hilton Hotel, Boston |
| June | 13-24 | The Stonier Graduate School of Banking, Rutgers—The State University, New Brunswick, N. J. |
| Aug. | 8-26 | The National Trust School, Northwestern University, Evanston, Ill. |
| Sept. | 18-21 | 86th Annual Convention, New York City |
| Nov. | 14-15 | 9th National Agricultural Credit Conference, Denver Hilton Hotel, Denver |
| 1961 | | |
| Jan. | 23-25 | 13th National Credit Conference, LaSalle Hotel, Chicago |
| Feb. | 6- 8 | 42nd Mid-Winter Trust Conference, Waldorf-Astoria, New York |

### State Associations

| | | |
|---|---|---|
| Apr. | 22-29 | Georgia, Cruise, S. S. Bergensfjord |
| Apr. | 24-26 | Louisiana, Hotel Roosevelt, New Orleans |
| Apr. | 30-May 7 | Alabama, Cruise aboard S. S. Bergensfjord |
| May | 1- 6 | South Carolina, Cruise to Nassau |
| May | 5- 6 | Oklahoma, Skirvin Hotel, Oklahoma City |
| May | 6- 7 | North Dakota, Dacotah Hotel, Grand Forks |
| May | 8-10 | Missouri, Sheraton-Jefferson Hotel, St. Louis |

| | | |
|---|---|---|
| May | 8-10 | North Carolina, The Carolina Hotel, Pinehurst |
| May | 9-11 | Tennessee, Read House Hotel, Chattanooga |
| May | 11-12 | Ohio, Sheraton-Gibson Hotel, Cincinnati |
| May | 12 | Delaware, Du Pont Hotel, Wilmington |
| May | 12-14 | Kansas, Topeka |
| May | 15-17 | Texas, Texas Hotel, Fort Worth |
| May | 15-18 | Pennsylvania, Bellevue-Stratford Hotel, Philadelphia |
| May | 16-18 | Mississippi, Buena Vista Hotel, Biloxi |
| May | 18-19 | Indiana, French Lick-Sheraton Hotel, French Lick |
| May | 18-20 | New Jersey, Chalfonte-Haddon Hall, Atlantic City |
| May | 19-20 | Massachusetts, New Ocean House, Swampscott |
| May | 19-21 | South Dakota, Sheraton-Cataract Hotel, Sioux Falls, Iowa |
| May | 19-21 | Utah, Royal Nevada Hotel, Las Vegas, Nev. |
| May | 20-21 | Nevada, Stardust Hotel, Las Vegas |
| May | 20-21 | New Mexico, Western Skies Hotel, Albuquerque |
| May | 20-24 | Maryland, Shoreham Hotel, Washington, D. C. |
| May | 22-24 | California, Ambassador Hotel, Los Angeles |
| May | 23-24 | Illinois, Palmer House, Chicago |
| May | 23-25 | Arkansas, Arlington Hotel, Hot Springs |
| June | 3- 4 | Connecticut, Equinox House, Manchester, Vt. |
| June | 7- 8 | Minnesota, Leamington Hotel, Minneapolis |
| June | 8-12 | D. of C., The Homestead, Hot Springs, Va. |
| June | 12-14 | Idaho, The Lodge, Sun Valley |
| June | 12-18 | Florida, Trust Training School, Rawlings Hall, Univ. of Fla., Gainesville |
| June | 15-17 | New York, Lake Placid Club, Lake Placid |
| June | 16-18 | Michigan, Grand Hotel, Mackinac Island |
| June | 16-18 | Montana, Canyon Village Hotel, Yellowstone National Park |
| June | 16-18 | Virginia, The Homestead, Hot Springs |
| June | 16-18 | Wyoming, Jackson Lake Lodge, Moran |
| June | 17-18 | *New Hampshire, Wentworth-by-the-Sea, Portsmouth |
| June | 17-18 | *New Hampshire Mutual Savings, Wentworth-by-the-Sea, Portsmouth |
| June | 19-21 | Washington, Davenport Hotel, Spokane |
| June | 20-22 | Wisconsin, Schroeder Hotel, Milwaukee |
| June | 23-25 | Colorado, Hilton Hotel, Denver |
| June | 23-25 | Vermont, Equinox House, Manchester |
| June | 24-25 | New Jersey Mutual Savings, Monmouth Hotel, Spring Lake |
| June | 24-26 | Maine, Poland Spring House, Poland Spring |
| June | 26-28 | Oregon, Sheraton-Portland Hotel, Portland |
| July | 14-17 | West Virginia, The Greenbrier, White Sulphur Springs |

*Joint Meeting

| | | |
|---|---|---|
| Aug. | 7-19 | Colorado School of Banking, Univ. of Colo., Boulder |
| Aug. | 14-27 | Central States School of Banking, Univ. of Wis., Madison |
| Sept. | 8-10 | Maine Savings Banks, Poland Spring House, Poland Spring |
| Sept. | 15-17 | Massachusetts Savings Banks, Poland Spring House, Poland Spring, Maine |
| Oct. | 11-12 | Nebraska, Cornhusker Hotel, Lincoln |
| Oct. | 14-15 | New Hampshire Fall Meeting, Mountain View House, Whitefield |
| Oct. | 17-18 | Connecticut Mutual Savings, Mountain View House, Whitefield, N. H. |
| Oct. | 23-26 | Iowa, Fort Des Moines Hotel, Des Moines |
| Nov. | 10-12 | Arizona, Pioneer Hotel, Tucson |

## Other Organizations

| | | |
|---|---|---|
| April | 4- 5 | MBA Southern Mortgage Conference, Robert Meyer Hotel, Jacksonville, Fla. |
| April | 4- 6 | NABAC Eastern Regional, Bellevue-Stratford Hotel, Philadelphia |
| April | 5- 7 | Building Research Institute, Spring Conferences, Statler-Hilton Hotel, New York |
| April | 10-15 | Institute of Investment Banking, Univ. of Pa., Philadelphia |
| April | 21-23 | MBA Western Mortgage Conference, Paradise and Joakake Inns, Phoenix, Ariz. |
| April | 25-27 | NABAC Northern Regional, Schroeder Hotel, Milwaukee |
| May | 2- 3 | MBA Eastern Mortgage Conference, Hotel Commodore, New York |
| May | 16-18 | NABAC Southern Regional, Chase-Park Plaza Hotel, St. Louis |
| May | 22-26 | Independent Bankers Association, Hilton Hotel, Denver, Colo. |
| May | 29-31 | Association of Registered Bank Holding Companies 2nd Annual Meeting, The Greenbrier, White Sulphur Springs, W. Va. |
| June | 6- 8 | NABAC Western Regional, Hotel Utah, Salt Lake City |
| June | 5-10 | Consumer Credit Management Program, Arden House, Harriman Campus, Columbia Univ., New York |
| July | 31-Aug. 13 | NABAC School for Bank Auditors and Comptrollers, Univ. of Wis., Madison |
| Sept. | 25-28 | Robert Morris Associates 46th Annual Fall Conference, Denver Hilton Hotel, Denver, Colo. |
| Oct. | 3- 6 | MBA 47th Annual Convention, Conrad Hilton Hotel, Chicago |
| Oct. | 10-12 | NABAC 36th Annual Convention, Hotel Statler, Los Angeles |
| Oct. | 10-13 | National Association of Bank Women, Annual Convention, Huntington-Sheraton Hotel, Pasadena, Calif. |
| Oct. | 30-Nov. 3 | Financial Public Relations Association Convention, Statler Hotel, Boston |
| Nov. | 27-Dec. 2 | Investment Bankers Annual Convention, Hollywood Beach Hotel, Hollywood, Fla. |

*All banking associations are invited to send in dates of their forthcoming meetings for this calendar.*

**OCTOBER**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | | | 1 |
| 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| 23 | 24 | 25 | 26 | 27 | 28 | 29 |
| 30 | 31 | | | | | |

**NOVEMBER**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | | | |

**DECEMBER**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | 1 | 2 | 3 |
| 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| 25 | 26 | 27 | 28 | 29 | 30 | 31 |

**1961 JANUARY 1961**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 29 | 30 | 31 | | | | |

**FEBRUARY**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | 1 | 2 | 3 | 4 |
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| 26 | 27 | 28 | | | | |

**MARCH**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | 1 | 2 | 3 | 4 |
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| 26 | 27 | 28 | 29 | 30 | 31 | |

# Are Banks Meeting the Challenge in the Savings and Mortgage Fields?

MARY B. LEACH

**The foregoing title epitomizes many of the questions discussed at the A.B.A. conference in New York**

THESE challenging statements on the role of banks in the savings banking field were heard by 700 bank executives from 32 states, the D. of C., and the Virgin Islands attending the 57th annual Savings and Mortgage Conference of the American Bankers Association in New York last month:

We live in a period of dynamic financial change that is having profound repercussions upon savings account banking. The flood of savings deposits typical of 1958 became little more than a trickle for very many banks in 1959. The deposit increase in 1959 was the smallest since 1951.—**Dr. Jules I. Bogen.**

The great need for savings presents a challenge which we must meet by broadening our services in every way possible and by adapting our operations to changed conditions. There are tremendous potentials for growth in the savings field, with real profit for those who are prepared to take advantage of the opportunities as they become available. Our division will endeavor to explore and direct attention to these potentials and opportunities.—**Louis S. Finger.**

I look at the maintenance of a savings department as an integral function of commercial banking and I am loath to have the commercial bankers of America abdicate this responsibility. It is my belief that the commercial banker who is reluctant to enter this field is shirking his responsibility and, in the process, is doing a disservice to all commercial banks throughout the nation. I would not be so concerned if the competition which were thereby invited operated under the same competitive ground rules as do commercial banks, but we know that this is not true.—**D. C. Sutherland.**

In considering the manner in which a bank may develop its potentialities of future depositors, naturally school savings banking must be recognized as a very desirable and practical medium for enlisting and retaining the cooperation of school authorities in reaching great numbers of people. A bank still offers the best advantages to the individual, but he needs to learn this fact from a competent source. You are the only one to communicate such information to him . . . during his formative years.—**Jean M. Turano.**

Our success in continuing to progress in serving the financial needs of the people of this country will be determined by the kind of people that we retain and bring into the banking business and how we help to prepare them for the work they are to do.—**Everett D. Reese.**

**Everett D. Reese speaking to a luncheon session. Seated, *left to right,* John W. Remington, president, American Bankers Association and president, Lincoln Rochester Trust Company, Rochester, N. Y.; Gaylord A. Freeman, Jr.; L. Sumner Pruyne, vice-president, The First National Bank of Boston; and Dr. F. Byers Miller, executive director, NABAC The Association for Bank Audit, Control and Operation, Chicago**


## Savings Outlook

Conclusions reached by Dr. Bogen in his address on "The Outlook for Savings in Banks" included these points:

(1) The volume of personal savings, which has held around 7% of disposable personal income during the 1950s, should continue to grow with national income.

(2) A rapid rise in interest rates places savings accounts at a competitive disadvantage as compared with direct investment in bonds. Savings institutions hold long-term assets, and so need some years before higher interest rates can be reflected in their own portfolios and the rates of return they can pay. When interest rates become stable, savings institutions can gradually regain their ability to compete as higher-yielding assets replace those giving low yields. A decline in interest rates would promptly strengthen the competitive position of savings accounts as against direct investment in bonds.

(3) Savings and loan associations, by paying higher rates and aggressive promotion, have greatly increased their share of the total volume of funds flowing into savings accounts. By increasing income on assets and reducing costs of servicing savings accounts, banks can place themselves in position to compete more successfully for funds flowing into savings institutions.

The outlook for savings in banks will become far brighter as interest rates become more stable or decline, particularly if commercial and savings banks place themselves in position to pay higher rates on savings deposits by lifting the rate of return earned on assets and reducing costs.

Dr. Bogen is professor of finance, Graduate School of Business Administration, New York University, New York.

### Attracting New Savings

"Savings must be made attractive," said Mr. Finger, who is president of the Andover (Mass.) Savings Bank and president of the A.B.A. Savings and Mortgage Division. "One means of attracting new savings is to intensify our educational programs," he said. "Young and old should be taught the value of a savings account for emergencies, for future planning, and for the purpose of acquiring the worthwhile things of life."

### Forefront for Commercials

Mr. Sutherland, who is senior vice-president, Bank of America, San Francisco, said that what concerns him most "is less the process through which the savings are generated and more the type of institution to which these funds are entrusted." Adding, "It is my view, and I state it categorically, that commercial banks should be in the forefront of those seeking these savings dollars."

Mr. Reese emphasized that one of the ways in which "many banks are making progress in successfully meeting competition is through building organizations of competent and trained people." He pointed out that "the increasing use of the outstanding educational facilities of the American Bankers Association and other banking organizations is helping to improve the quality of banking services to the people of the country." He is chairman of the City National Bank and Trust Company, Columbus, Ohio, chairman of the A.B.A.'s Council on Banking Education, and chairman of the board of regents of The Stonier Graduate School of Banking.

### Teach Youth to Save at Banks

During a forum discussion on "Selling and Serving 'Saving at Banks' to Young People," Miss Turano emphasized that on a year-round basis selling the young fry "will bear satisfactory results." She is assistant to the president of The Trenton (N. J.) Savings Fund Society and chairman of the A.B.A. Committee on Youth Thrift Education.

"New depositors are the constant need of any bank," said Melville M. Parker, chairman of the Association's Public Relations Council and executive vice-president of the First National Bank of Lebanon, Pa., another panel participant. "The stream must be kept fresh by a constant flow of younger customers entering our doors." He pointed out that banks forget "that money spent in developing business from the youth of today is actually an investment in the future that will some day pay big dividends."

### 42 Speakers

Time out for explanations! By actual count there were 42 different speakers at the conference, including panel members and presiding officers. The prepared speeches alone, if included in this report, would just about fill this issue of BANKING, without the ads. So, the best we can do is to give our readers a few of the significant ideas offered at this instructive meeting. In addition to the thoughts presented in this article, portions of other addresses may be found on pages 41, 42, 45, 80, 83, 138. Also, a separate story, based upon the talk of New York State Superintendent of Banks G. Russell Clark on "Rate Regulation and the Struggle for Savings," appears on page 120. The "Proceedings" of the conference will be published in booklet form very shortly and will be available from the Savings and Mortgage Division at $3.

Excerpts from the addresses having a bearing on housing and mortgages, regardless of their order on the program, will be grouped together in the latter part of this report. From this point on, in the interest of brevity, a somewhat different style of presentation is used.

### Clarifying the Roles and Goals of Institutions in the Savings Field

A panel composed of **Gaylord A. Freeman, Jr.,** president, The First National Bank of Chicago and vice-president, Savings and Mortgage Division, A.B.A., moderator; **Dr. Grover W. Ensley,** executive vice-president, National Association of Mutual Savings Banks, New York; **J. Deane Gannon,** director, Bureau of Federal Credit Unions, Washington, D. C.; **Eugene M. Mortlock,** president, First Federal Savings and Loan Association, New York; and **L. M. Schwartz,** president, Citizens State Bank, Paola, Kans.

### Dr. Grover W. Ensley

Mutual savings banks met the challenges of the past by improving their services and efficiency but not by deviating from their original functions and objectives. The efforts of those who seek to have repressive direct monetary controls and punitive taxation imposed on mutual savings banks could, of course, succeed in breaking this traditional pattern of response. Aggressive pressures for basic changes in public policies that ignore fundamental and gen-

**A Meet-the-Press panel.** ***Left to right,*** **Dr. Jules I. Bogen, who was interrogated on "money matters" by Clinton B. Axford, editor** ***American Banker;*** **Harris Vennema, editor,** ***Eastern Banker;*** **Harold E. Group, editor,** ***Savings Bank Journal;*** **and William R. Kuhns, editor, BANKING Magazine, moderator**


**Panel on "Clarifying the Roles and Goals of Financial Institutions in the Savings Field."** ***Left to right,*** **Messrs. Ensley, Gannon, Freeman, Mortlock, and Schwartz**

erally recognized differences between mutual savings banks and commercial banks could lead to a significant broadening of the services and functions performed by mutual institutions.

### J. Deane Gannon

It was never intended that credit unions would supplant other financial institutions; nor was it necessarily intended that credit unions would create customers for the other financial organizations. However, the facts are that Federal credit unions have been maintaining on the average about 7½% of their assets in their accounts with banks. Their holdings of shares of savings and loan associations have been increasing annually and accounted for 17% of the Federal credit union resources at the end of 1958. Thus the small individual amounts of savings of the credit union members have been pooled in the credit union, and that portion not employed in loans to members and investment in Government bonds has been funneled into commercial banks, mutual savings banks, and savings and loan associations.

### Eugene M. Mortlock

We are a specialty shop with limited services, and in limited competition with other types of financial institutions — those that advertise thrift, home finance, and improvement loans. There is no monopoly of the financial business. We, as specialty shops, can and do compete with the department-store type of financial institution, offering broad areas of service. We have turned the liability of a depression into an asset by steadily improving our ways of doing business, and our record in accumulating savings is, in itself, proof.

A recent study states that assets of savings and loans will have to grow from about $60-billion in 1960 to $165-billion by 1970. To attain such a figure, savings capital in savings must grow at an average annual rate of $7.7-billion. With this kind of increase demanded by an expanding economy, anything which impairs such growth and hurts the ability of savings and loans to absorb the coming drastic increase in mortgage demand will cut back building activity at the very time when it should be on the rise.

### L. M. Schwartz

Points to consider by commercial banks:

(1) Foremost, it is their duty to advertise and promote thrift vigorously—for the good of savers, borrowers, country, and the banks.

(2) It is their privilege to point out that they offer the most liquid of all savings plans.

(3) Ratewise, they are paying the maximum rate consistent with the practically demand nature of their savings deposits.

(4) In the mortgage field, they must take care of the legitimate credit needs of customers with conservative conventional and Government-guaranteed mortgage loans to the extent deposits responsibilities will permit.

(5) To make sure that savings and mortgage services continue to be available all over the country, all of the time. In the past, there has been too much regional thinking that savings were not sufficiently profitable to warrant much advertising and encouragement.

(6) To remember that while there are many more savers than borrowers, much consideration must be given the borrower because rate increases to savers must be passed on to borrowers. Commercial banks have a duty to keep ample funds available at reasonable rates.

---

## Complete Financial Service

### Louis S. Finger

As compared with the figure of over 90% for banks which accept savings and time deposits, it is disappointing to find that only 40% make mortgage loans.

In order to grow with the economy, no bank can afford to serve merely as a savings depository. If it is to be an integral part of the banking system, it must equip itself and stand ready to serve its community according to its financial needs. By so doing, we shall help the economy, strengthen the banking system of the country, and assure the prosperity of the individual bank. We cannot hope to compete with nonbanking institutions unless we are willing to give complete banking service to our communities. Both the saver and the borrower will be served. If we do not consider their needs, which is the purpose for which we were organized, they will go to other institutions and possibly to the Government for the services they seek. Indifference to the banking needs of the public provides a golden opportunity for the establishment of a competitor institution.

---

## What Should the Role of the Federal Government Be in the Field of Housing and Mortgage Finance?

A panel composed of **Dr. Jules Backman,** research professor of economics, School of Commerce, Accounts, and Finance, New York University; **Norman P. Mason,** Administrator, Housing and Home Finance Agency; **Dr. Kurt F. Flexner,** director of Mortgage Finance; A.B.A.; and **V. R. Steffensen,** executive vice-president, First Security Bank of Idaho N.A., Boise.

### Dr. Jules Backman

The Rains bill, which aims to add $1-billion to the buying power of FNMA, states that its purpose is "to halt the serious slump in resi-

dential construction, to increase both on-site and off-site job opportunities, to help achieve an expanding full employment economy, and to broaden home ownership opportunities for the American people."

The easy moneyites do not seem concerned about the impact of credit inflation on construction costs. To the extent that an easy money policy contributes to price inflation, construction costs will rise; and past experience indicates that the rise will be greater for housing costs than for other prices:

Thus, between 1939 and the end of 1959 the cost of houses rose by about 184% (Boeckh index for 20 cities) as compared with the rise of 137% for wholesale prices and 111% for the consumer price index.

Between 1945 and the end of 1959, the increases were: brick houses 102%, frame houses 94.6%, wholesale prices 72.8% and consumer prices 63.2%.

Between 1950 and the end of 1959, the increases were: brick houses 30.9%, frame houses 27.7%, wholesale prices 15.3%, and consumer prices 22.1%.

An inflationary rise in construction costs means that still more money is required to finance the purchase of homes.

**Norman P. Mason**

You have asked me: "Can a criterion, a standard, or measure be established to help determine when, how much, the Federal Government should intervene to help cities on urban renewal?" The answer is "Yes."

The criteria for "when" are at least three:

(1) It is at that time in a city's life when blight threatens—when growth within the city itself does not swallow up blight as rapidly as it can develop.

(2) It is when the city itself decides that action is needed—when it, of its own volition, enforces its zoning ordinances, its building ordinances, its health and sanitation ordinances.

(3) It is when the citizens of the city are aroused—willing to join together to work for improvement.

These are the "when." These are the conditions under which an aroused public—and an active city government—have the right to look to their Federal Government for leadership and support.

**Dr. Kurt F. Flexner**

A free market and a free interest rate will give to the mortgage a fair opportunity to compete effectively for capital funds with other instruments of credit. At present, however, the conventional mortgage is badly in need of a strong secondary market. It is my belief, therefore, that unless the Government can see its way clear to free interest rates on FHA and VA mortgages, there is a great need for creating a conventional mortgage that will serve as a basis for meeting future housing demands.

Actually, the rigidities imposed on FHA and VA mortgages rarely benefit those whom the Congress intended to help by imposing these interest rate limitations. Where interest rates are rigid, discounts and other charges take the place of a more marketable interest rate. Financial institutions, however, are often not anxious to become engaged in these indirect charges of financing which in turn tends to drive money away from housing.

**V. R. Steffensen**

There are many excellent reasons for the Government to lend encouragement to housing. However, it is important that its efforts in that direction be coordinated with overall economic conditions and policies.

First of all, one of the primary aims should be to promote and stabilize a healthy housing industry. This should be accomplished, if possible, without the violent swings up and down to which the industry has always been subject. This means that during periods of inflation or boom, extra stimulants to housing construction should be avoided. Such stimuli should be withheld for periods of recession when it is desirable to promote business activity.

To be frank, most of the criticism which can be justifiably leveled against the role the Federal Government has played in the housing field stems from politics and minority group pressures.

I do believe that, if the Federal Government is to accomplish the most good for the greatest number of people, FHA should be set up as far from the reach of practical politics as it is possible to do.

A study should be made of the laws and regulations governing FHA with the view of rewriting them in simplified form. The FHA insurance system should also be revised into two simplified categories, one for 1- to 4-family houses and the other for rental housing. All other special forms of mortgage insurance should be allowed to terminate.

**At the conclusion of the conference, Savings and Mortgage Division President Louis S. Finger *(third from left)* held a meeting with the A.B.A. Committee on Real Estate Mortgages. Shown with Mr. Finger are, *left to right*, D. C. Sutherland; Joseph R. Jones; Cowles Andrus, president, New Jersey Bank and Trust Co., Passaic, and chairman REM committee; V. R. Steffensen; and Harry Held, senior vice-president, The Bowery Savings Bank, New York**

### Are Laws and Regulations Pertaining to Mortgage Finance Realistic?

A panel composed of **Lyman Brownfield**, general counsel of the Housing and Home Finance Agency (substituting for Deputy Administrator **Walter S. Rosenberry, Jr.,**) **L. A. Jennings**, Deputy Comptroller of the Currency; **Joseph R. Jones**, vice-president, Security First National Bank, Los Angeles; **John J. Redfield**, Cadwalader, Wickersham and

(CONTINUED ON PAGE 113)

(CONTINUED FROM PAGE 111)
Taft, New York; and **Harry A. Yoars**, vice-president, The First National City Bank of New York.

**Lyman Brownfield**

To be more acceptable to institutional lenders, mortgages must partake as fully as possible of the characteristics which give bonds and similar prime securities their appeal —simplicity of form, ease of sale, and standard and well established remedies. Mortgages, of course, cannot be fitted into this class completely, but a great deal has been done and yet remains to be done to enhance their marketability, so to speak, in the general investment market.

Obviously, the ideal solution would be a complete overhauling of the mortgage laws of every state and the universal enactment of a uniform code. The breadth and scope of such an effort, however, renders it unattainable within any reasonable time schedule. I believe we could make progress toward a solution.

**L. A. Jennings**

I have been asked to comment on whether it is desirable and realistic for competing financial institutions to operate under differing limitations governing loan to value ratios. Largely because of unfair competitive situations which arise, I think it is undesirable and unrealistic for identical types of financial institutions to have differing statutory loan to value ratios governing the granting of conventional mortgage loans.

Depending on the circumstances surrounding a specific loan, I strongly favor an initial equity of not less than 25%, and preferably 33⅓%, in amortized conventional mortgage loans on residential properties acquired by commercial banks. However, from the standpoint of progressive and sound lending, it is my belief that provisions for the complete liquidation of the loan consistent with the borrower's ability to pay, usually by monthly payments covering all charges including taxes and insurance, and the capacity of the lender to take prompt action if delinquency occurs, are of far greater importance than the exact loan to value ratio required at the inception of the conventional loan.

**Joseph R. Jones**

Let's look at the results of default on a higher and also on a lower

percentage loan in the event of economic stress. When such economic stress occurs, the general salability of real estate suffers. If, because of personal problems, a borrower cannot meet the loan payments and if he has a reasonable equity, he can sell that equity and salvage something for himself. If there is a very thin equity, there is little hope of sale or salvage. If the bank is compelled to acquire the property through foreclosure of a high percentage loan, the expense of reconditioning and sale generally results in a substantial loss to the bank.

Experience has also shown that in ordinary times, without a condition of stress in the general economy, foreclosures generally occur in a much heavier proportion in low equity loans than they do in higher equity loans. The smaller the equity, the less incentive to meet the obligation and the greater the risk of foreclosure.

### John J. Redfield

Despite some doubt as to the constitutionality of proposed Federal foreclosure legislation, such an approach involves certain practical difficulties. Although the contemplated Federal legislation would provide for foreclosure outside the courts, a Federal statute would necessarily involve the imposing of an additional burden of contested foreclosure cases on already crowded Federal court calendars. Finally, a Federal foreclosure remedy would, to some degree, involve different treatment for interstate and intrastate commerce to the possible disadvantage of the latter, resulting in a substantial question of policy. Such a consequence might provide a lever by which intrastate lenders would secure equally favorable foreclosure legislation for themselves. In any event, the possibility of Federal foreclosure legislation certainly deserves continued and serious consideration.

### Henry A. Yoars

I am suggesting to you three separate items which might be considered for possible revision:

(1) Debenture system on foreclosures vs. VA cash payment system.

(2) Limitation of 35% of earnings that may be used for expenditure by FHA.

(3) Recent amendment to Section 24 of the Federal Reserve Act extending to 18 months the loan period for construction of industrial or commercial buildings where there is a valid and binding take-out.

## The Money Market

### James J. O'Leary

What can we conclude about the outlook for the money and capital markets in the remainder of this year? I believe that due to the pressures of demand for funds, interest rates generally will remain firm at around present levels. I do not expect that rates will show much further tendency to rise, and, indeed, if we continue to combat inflation successfully they seem certain to stabilize at present levels. So far as the residential mortgage market is concerned, it seems likely that mortgage money will be more readily available this year than anticipated at the end of last year, but it does not seem likely that mortgage rates will show any decline because the available funds will be readily absorbed.—MR. O'LEARY *is director of economic research, Life Insurance Ass'n of America, New York.*

# What's ahead for GENERAL ELECTRIC in the 60's

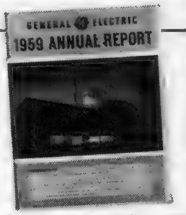
As the 1960's unfold, General Electric will make a vigorous new bid to realize a new era of growth through imaginative expansion of service to customers. Record 1959 results form the base upon which the Company is building for the decade ahead:

- **Sales** climbed to a record exceeding $4.3 billion.
- **Earnings** rose to a new high of $3.19 per share.
- **A new high of 404,431 share owners** of record received dividends — the 61st consecutive year of General Electric dividends.
- **Employee compensation** at General Electric set new records both for the total amount ($1,785 million) and for the average per employee ($7,226).

1959 developments indicate many of the areas of growth potential in which the Company is focusing attention. These include:

- **Advanced industrial systems** being developed by General Electric demonstrate the Company's "unique capability" for combining experience in the electrification of industry with new skills in new electronics technologies.
- **Flexible automation:** New machine-tool controls developed by General Electric enable small-lot manufacturers to automate.
- **International trade** is receiving fresh emphasis from General Electric through formation of the new International Group to consolidate export trade and foreign manufacturing operations.

Other examples are at right. You'll find details in General Electric's 1959 Annual Report, now available.




**If you would like a free copy** of the Annual Report, write Dept. 21-B, 570 Lexington Ave., New York 22, N. Y. If you own General Electric shares held in the name of a broker, or in the nominee name of a bank or trust company, write to Dept. GC-12 at the same address, and we will mail you regularly our share owner publications.

## HIGHLIGHTS FROM THE GENERAL ELECTRIC 1959 ANNUAL REPORT

**More efficient electric power systems** continue to represent a major area of potential growth for General Electric. Above: new cost-saving method developed for testing big motor's ability to withstand unusual electrical overloads.

**Electronics for industrial automation** offers a new direction of growth based on General Electric's long experience in helping customers apply electric power to their operations. Above: machine guided by punched-card controls.

**Potential market for total electric living** is shown by gap between the $575 worth of electrical home equipment in average new U.S. home today, compared with $3,020 worth in a modestly priced Gold Medallion Home.

**Accelerating atomic-power development:** The largest all-nuclear power station in the U.S. is being built by General Electric to supply the Chicago area with 180,000 kilowatts. It will begin operations this year.

*Progress Is Our Most Important Product*

GENERAL ELECTRIC

# For the Building Scrapbook

ABOVE, LEFT—Yellow brick and mahogany-toned Minnesota granite base and trim form the exterior of the Kutztown (Pa.) National Bank. The tall plate glass windows have brushed aluminum trim. Designed by The Cunneen Company of Philadelphia. ABOVE, RIGHT—Drive-in bank and office building of Elizabethport Banking Company, Elizabeth, N. J. The four drive-in booths are air-conditioned as are the two walk-up windows which also open into a heated and air-conditioned vestibule for customers. LEFT—Fidelity Building Office of the American Fletcher National Bank and Trust Company, Indianapolis, Ind. Building's basement provides parking space for 150 cars. Automatic elevators run from parking area to upper floors. BELOW, LEFT—Completion of a new 2-story addition to the City National Bank of Beverly Hills (Calif.) makes the bank building one of the tallest structures in Beverly Hills. BELOW, RIGHT—Modern, air-conditioned, Black Rock Office of Marine Trust Company, Buffalo, New York


ABOVE, LEFT—Newly acquired branch of the United States National Bank of San Diego (Calif.) located at the Los Altos shopping center in Long Beach. ABOVE, RIGHT—New "drive-under" branch of the First National City Bank of New York at New York International Airport. Three tellers' windows serve automobile customers while parking lot accommodates 100 cars. RIGHT—Seven-story building of the Fidelity Union Trust Company, Newark, N. J. Building is clean-cut in line and covered with white marble. Has a landscaped street floor plaza and a top-floor promenade deck. BELOW, LEFT—one of the nation's largest drive-in banks, First National Bank and Trust Company, Tulsa, Okla., can handle more than 20,000 customers daily at its six drive-up, and six walk-up windows. The autobank is connected by pneumatic tubes to the main bank building a block away, and is also linked to the central bookkeeping department by closed circuit television. BELOW, RIGHT—Modern three-story structure of The Oneida National Bank and Trust Company of Utica, New York. Building is constructed of white glazed brick with large glass panels set between seven frontal columns of Alabama limestone. Two drive-in lanes and the front sidewalk are heated by a snow melting system


## *Better Methods and Systems*

(CONTINUED FROM PAGE 45)
in your bank, or, if automation is indicated, your chances for success are vastly improved."

### Chicago Bank Handles All Demand Deposit Accounts on Computing Equipment

HARRIS Trust and Savings Bank of Chicago has a new electronics service center on its seventh floor where all demand deposit accounts are processed on the Univac II computer and peripheral equipment.

President Kenneth V. Zwiener said that other accounting processes were well advanced. In the trust department many stock transfer account records have been placed on magnetic tape and conversion of personal trust accounting is in the test run stage. Both processes are expected to be fully operative this year.

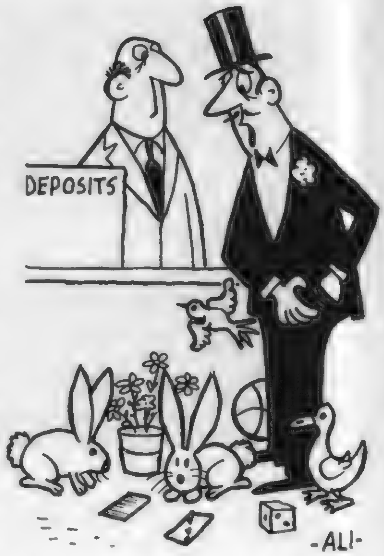
Maurice K. Heald, vice-president in charge of operations research, reported that the bank had many plans for further use of the equipment. "The day will come when this installation will be used for all volume account processes, for compiling statistics to assist management, for economic studies and surveys."

### Bank Automation Conference To Be Held in Detroit in May

A NATIONAL conference on banking automation is scheduled for the Detroit Leland Hotel, May 10-12, under auspices of Detroit Research Institute. Bankers and equipment company representatives will speak.

Subjects to be discussed include: cooperative data processing for small banks, automation for large and small banks, printing of documents, problems relating to the MICR program, account numbering, processing of bank documents, imprinting problems, rental or purchase of equipment, personnel problems, operations research, computer processing, sorting and converting.

The Institute's address is 10 West Warren Avenue, Detroit 2.




**"I *know* I have my checkbook with me some place!"**

*Man shortens his life by working long hours to get the luxuries that will further shorten his life.*



# *Is Rate Ceiling Valid for Commercial Banks and Not Others?*

**G. RUSSELL CLARK**

*MR. CLARK, Superintendent of Banks for the State of New York, spoke on "Rate Regulation and the Struggle for Savings" at the annual Savings and Mortgage Conference of the American Bankers Association in New York last month. This article is based upon portions of his address.*

THERE are two distinct elements regarding interest rate regulation that deserve discussion. One of these relates to timing and flexibility, while the other is a more basic and fundamental question dealing with the whole rationale behind rate regulation. Starting with the issue of timing and flexibility, I am sure that every one recognizes the need and the responsibility of supervisory agencies to respond without excessive delay to changing economic and financial conditions so far as these may influence the reasonableness of any existing ceiling. The problem, in fact, exists not only in this discussion area but in many others as well. The debates over the last few years, for example, on monetary and credit policy also deal with the speed of the reaction of the monetary authorities to changing circumstances.

## Commercial Banks Bumping 3% Maximum

The latest figures I have seen indicate that over 70% of the commercial banks in New York State are at the 3% maximum. I do not know what a similar percentage would be for the nation as a whole, yet it would seem to me that there are undoubtedly an increasing number of institutions throughout the country which must also be "bumping up" against the present rate ceiling.

Combining this evidence of an increasing number of institutions pressing against the existing ceiling with the fact that commercial bank earnings have been steadily and substantially improving over the past several years and the expecta-

(CONTINUED ON PAGE 122)

(CONTINUED FROM PAGE 120)

tion of continued strength in the money market, it would appear that some reexamination of the 3% limitation of Regulation Q may be appropriate at the present time.

In this connection, I do not think that I need to dwell on the impact of the present ceiling on the ability of the larger New York City banks to attract foreign and corporate time deposits when limited by a rate which is considered by many to be no longer competitive with other avenues of safe and highly liquid investment. In any event, the record reflects a decrease of approximately $900,000,000 in 1959 in the holdings of foreign time accounts by New York City commercial banks. Again, I wish to stress that while some time lag in instituting policy changes is undoubtedly inevitable, we must, as supervisory agencies, make every effort to reduce these time lags as much as possible through the substitution of a policy of flexibility for that of rigidity.

### Some Under Ceiling, Others Not

Turning to the more fundamental question regarding the rationale of the present system of rate regulation, I believe that one of the most striking points in this connection to an observer of our financial scene is the fact that some types of financial institutions operate under a ceiling rate for savings while others are not restricted in this manner. It seems to me that this would be very difficult to rationalize, particularly where such institutions operate in the same state. Does it make sense to impose ceilings on virtually all commercial banks throughout the country at the same time that savings and loan associations have no ceilings at all and savings banks in most states either are under no ceiling or the ceiling is set so high as to be virtually meaningless so far as restrictiveness is concerned?

When we take an overall, nationwide view of the regulatory pattern, it is hard to see any consistency in principle or practice. For example, is there something about the operation of commercial banks that requires ceilings on their savings accounts which does not equally apply to other savings institutions?

But if the reasoning is valid when applied to commercial banks—that

(CONTINUED ON PAGE 124)

(CONTINUED FROM PAGE 122)

without rate regulation there would be unwholesome or destructive competition—is this not equally applicable to other types of savings institutions? If it is, then why should not all of them—savings banks, savings and loan associations, and even credit unions—be under some sort of rate ceiling? Can we validly maintain that only commercial banks will be forced into unwholesome lending and investing practices in response to the competitive pressures to pay higher dividend rates? If other institutions also may be subject to this temptation, must we not consider the possible necessity of rate regulation for them as well?

### Why Not Valid for All?

However, I do not wish my position to be misunderstood in this connection. I am not saying that the danger is an immediate one, nor am I advocating that all institutions be placed under rate regulation. What I am saying is that if the logic behind Regulation Q is valid, then it would seem to me to be equally valid for other types of financial institutions.

But we should not omit the other possibility from our discussion—that perhaps we should reexamine the relevance to modern-day banking of the logic underlying Regulation Q. Perhaps upon careful reflection we may conclude that the necessity or desirability of Regulation Q may not be as pressing as it was when it was first imposed more than 25 years ago. I would suggest that this represents a fertile field for study and investigation. It may very well be that such studies might point to the need for a reconsideration of our entire approach to rate regulation, including perhaps a scrapping of all such controls, state as well as Federal. I understand, in this connection, that the Commission on Money and Credit, financed by the Committee for Economic Development, has included this as one of its subjects for investigation.

Of course, the only possible alternatives to regulating everybody are either regulating some but not others —as we are now doing—or to regulate no one. As regards this last possibility, I frankly do not know whether a removal of all ceilings by all supervisory authorities, state and Federal, would be either workable or feasible.

# BRIDGEPORT BANK IMPROVES SPECIAL CHECKING PROGRAM

## LOWERS COSTS WITH THRIFTIMATIC CUSTOM PLAN

***"Increased our volume, lowered costs, gives us a better package, plus, magnetic ink encoding"***

—says Edmund H. Hoyt, Vice President and Comptroller, *City Trust Company,* Bridgeport, Connecticut.

**BANKER HOYT: "Following ThriftiMatic's recommendations paid handsome dividends"**

*Read* what Mr. Hoyt says about his experience with the ThriftiMatic *custom*-designed special checking account program . . .

"ThriftiMatic, using the name *City Trust Special Checking Account* as we requested, installed our custom plan last October.

"We were supplied with specially designed operating supplies such as checks, checkbook covers and other necessary forms. In addition, using their years of know-how, we established an effective ad campaign coupled with a highly effective employee sales contest.

"The ThriftiMagnetic Imprinter-Coders for on-premises imprinting were supplied by ThriftiMatic, and our operators were carefully trained by them. We imprinted a complete library of checkbook fillers before announcing our new plan, assuring immediate delivery of checks to our customers.

**"We had an immediate increase in volume."**

**THE CITY TRUST COMPANY IMPRINTING DEPARTMENT: With the ThriftiMagnetic Imprinter-Coder all special checking accounts are easily processed on-premises. Magnetic imprinting complies fully with ABA specifications. Elliot Casey, Assistant Treasurer, supervises the Imprinting and Addressograph Department.**

### Do you want to increase your Special Checking Account Volume?

*Call upon ThriftiMatic experience in serving banks since 1939. With a ThriftiMatic custom plan there is* ***no investment*** *by your bank. Your choice of magnetic or regular ink imprinting equipment. You receive all operating supplies — plus a complete advertising program.*

THRIFTIMATIC

For full information, write to:

**THRIFTIMATIC CORPORATION**

100 Park Avenue, New York 17, New York

(CONTINUED FROM PAGE 50)

# *Chairman Martin's Comments*

## *Reserve Reductions and the Open Market Committee*

**Were the reductions in required reserves in 1953, 1954, and 1958 pursuant to decisions first made by the Open Market Committee?**

THE decisions were made by the Board of Governors and in no case were made initially by the Federal Open Market Committee. While suggestions as to possible actions that might be taken were discussed to some extent at meetings of the FOMC, in no case would it be accurate to suggest that a decision with respect to a change in required reserves was made other than by the Board of Governors.

There have been occasions when, in reviewing past operations for the System Open Market Account, individual members of the FOMC have commented on transactions to the effect that they, as individuals, would have preferred a different degree of action or a different direction of policy. Only once, in 1957, did a member criticize operations that had been carried on for the System account on the grounds that they had departed from what the Committee intended when it issued its instruction.

## *Discount Rates*

WHILE by law the Board has the power to initiate discount rate changes, it usually acts on proposals for either a change or continuation of existing rates submitted by the Reserve banks. In recent years persistent differences in discount rates among the various districts have been the exception rather than the rule. Under modern conditions there are few barriers to the flow of funds from one part of the country to another. Differences in levels of economic activity tend to cause corresponding flows of funds, so monetary conditions have tended to be uniform geographically, and this has made

(CONTINUED ON PAGE 128)

(CONTINUED FROM PAGE 126)

uniform discount rates increasingly appropriate.

On a few occasions the Board has failed to adopt the discount recommendation made by a bank.

### *Who Determines Federal Reserve Bank Loan Policies?*

WHILE the Board's Regulation A prescribes certain requirements and sets forth certain general principles to be observed by the Reserve banks in making advances and discounts, credit assistance to member banks is extended by the Reserve banks. Each Reserve bank determines its own lending policies in accordance with law and subject to over-all supervision and regulation by the Board. Lending through the discount window is coordinated with general monetary policy.



### *Are Reserve-Bank Loan Policies More Lenient in Areas of High Unemployment?*

FOR national monetary policy, differentiation region by region is seldom if ever practicable. Any attempts by the System to maintain differences in credit conditions among regions probably would be unsuccessful in view of the mobility of loanable funds. However, Regulation A permits extension of Reserve bank credit for longer periods to meet unusual situations.

### *A.B.A. Study of Reserve Reduction*

CHAIRMAN MARTIN's request that the A.B.A. study reserve requirements of member banks was made with the knowledge of other members of the Board. The view of the Federal Open Market Committee on the request was not sought. The Board has indicated repeatedly that such a study was appropriate.

### *Definition of Money Supply*

THE definition of the money supply that is considered most appropriate as an economic indicator for purposes of Federal Reserve policy is the seasonally adjusted total of demand deposits adjusted and currency outside banks. Changes in this figure measure changes in the money held by the public. Changes in Government deposits are also watched in interpreting movements in the public's money holdings. Velocity of money also is considered. Of this there are two main measures: "income velocity" and "transactions velocity." An example of the latter is "deposit turnover," the ratio of bank debits to the money supply.

### *Sec. Martin's Definition of "Fiat Money"*

"FIAT" or "printing press" money refers to the use of governmental monetary powers with the objective of financing Government expenditures rather than of contributing to growth and stability of the economy. The distinguishing feature of fiat money is not the form of money but the principle regulating the Govern-

(CONTINUED ON PAGE 130)

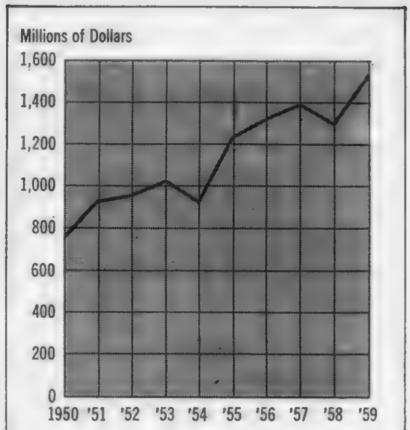
**UNION CARBIDE**

**UNION CARBIDE CORPORATION**

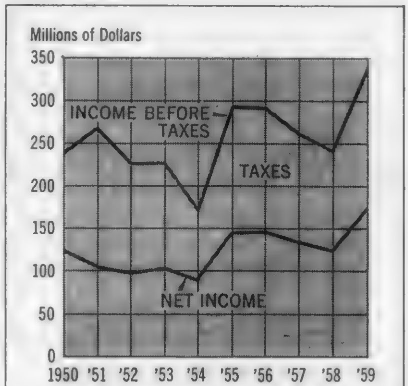
# *1959 Annual Report Summary*

| | 1959 | 1958 |
|---|---|---|
| Sales | $1,531,343,824 | $1,296,532,373 |
| Net Income | 171,637,065 | 124,936,845 |
| Per Share | 5.70 | 4.15 |
| Dividends Paid | 108,344,828 | 108,265,402 |
| Per Share | 3.60 | 3.60 |
| Earned Surplus | 685,493,989 | 622,201,752 |
| Current Assets | $ 714,667,441 | $ 664,097,034 |
| Current Liabilities | 257,204,296 | 213,802,203 |
| Total Assets | 1,632,250,370 | 1,530,476,376 |
| Shares Outstanding | 30,097,943 | 30,093,183 |
| Number of Stockholders | 126,927 | 126,739 |
| Number of Employees | 74,000 | 71,500 |

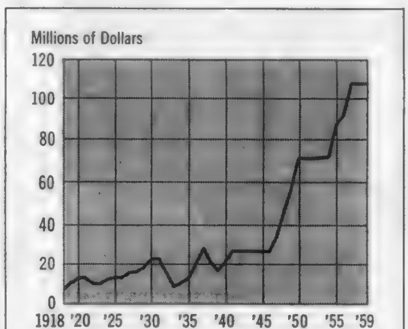
Copies of the complete 1959 Annual Report of Union Carbide Corporation will be furnished on request. An illustrated booklet describing the products and processes of Union Carbide also is available. If you wish copies of these booklets, please write to the Secretary, Union Carbide Corporation, 30 East 42nd Street, New York 17, N. Y.



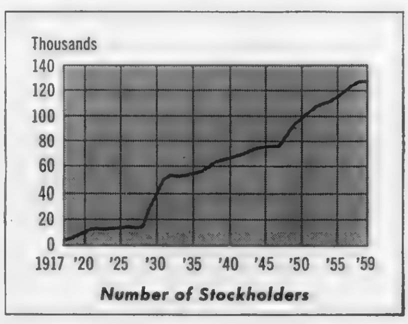

***Sales***




***Net Income and Income Taxes***




***Dividends Paid***




***Number of Stockholders***

(CONTINUED FROM PAGE 128)

ment's use of its monetary powers. In view of this definition, there is no meaningful basis for indicating how the two principal forms of money in use in the U. S. today, currency and demand deposits, differ from fiat money. Monetary powers are used with a view to contributing to economic growth and stability.

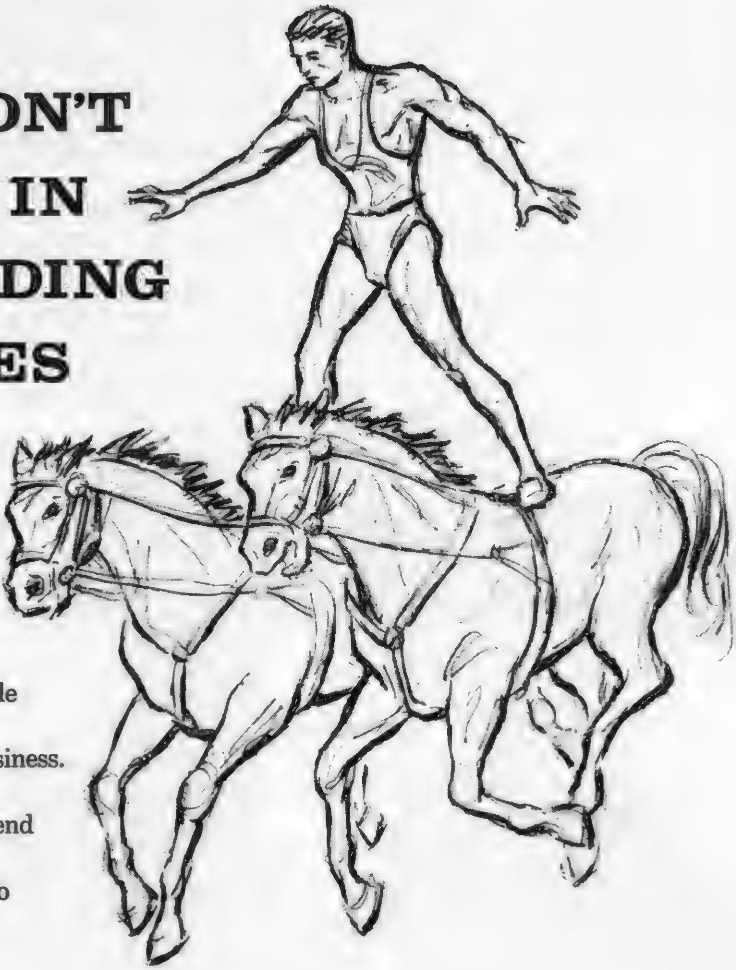
### *Member Bank Reserves: Are They Invested?*

IT MAY NOT be said that the Federal Reserve banks invest the reserve balances of member banks. Other factors remaining equal, the reserve balances come into existence through an increase in Federal Reserve credit. The amount of such credit extended is determined by the amount of member bank reserve balances deemed needed to support an appropriate money supply. This is a policy decision as to how many reserves to create, not the investment of resources. A commercial bank aims to keep all its resources invested and to keep its cash and excess reserves at the minimum practicable. The Reserve banks, on the other hand, have generally had very great unused lending powers for, to invest to the maximum possible, would create more money than the economy needs.

No individual commercial bank can count on expanding its own credit as much as can the commercial banking system as a whole, in terms of a multiple of excess reserves, for it would quickly lose funds to other banks through check clearings. The Reserve banks, however, operating as a unified system, can expand their total investments at will, up to the legal reserve limitation.

When the Reserve banks create additional reserves, it is done through a process of exchanging assets and liabilities and cannot be considered as a free gift. Regardless of how one prefers, for his own convenience, to relate Federal Reserve asset and liability items, the individual member banks acquire reserves in the Federal Reserve largely through customer deposits of currency or checks drawn on other banks and through sales of securities, and also to some extent through stockholder contributions. Thus, these reserves are paid for by member banks, either by exchange of assets or assuming liabilities.

# <u>WE</u> DON'T BELIEVE IN RIDING 2 HORSES



... that's why our facilities are available *only* to Financial Institutions and Insurance Agents who handle such business. In the interest of plain, common "horse sense," we do not solicit or extend Agency Contracts to automobile, mobile home or small boat dealers who are not self-financing.

The American Plan Corporation, specialists in the field of Consumer Credit Insurance, has pioneered in the creation of simple insurance packages constructed to fit the dimensions of the particular Financial Institution and Insurance Agency.

Our package plans include Physical Damage coverages and Credit Life and Disability Insurance related to the financing of automobiles, mobile homes and small boats, and our program includes all of the protective coverages so necessary to sound lending practices—Errors and Omissions, Single Interest and Dealer Wholesale Insurance.

Our varied programs, each of which is supported by our technical skills and statistical services, have been installed and acclaimed by Lenders throughout the United States and Canada.

**Without any obligation whatsoever on your part, we will be pleased, upon request, to analyze your insurance program.**

THE AMERICAN PLAN

THE
**American Plan**
CORPORATION

***The World's Largest Management Corporation Specializing in Consumer Credit Insurance for Financial Institutions***

MARK M. HART, PRESIDENT, 99 PARK AVE., NEW YORK 16, N. Y. • OXFORD 7-1545

# Mobile Homes' Bright Future

TRAILERS and, in the wider sense, homes on wheels, along with automobiles, boats, and airplanes have been subject to bank financing for some years, and the companies which manufacture them have demanded serious consideration of the investment markets.

Anyone who has traveled in recent years through the southern and western states of this country can attest to the growing popularity of mobile homes. Said James Brunskill, president of the Trailer Coach Association, the other day: "Building, maintaining and parking mobile homes will become a billion-dollar industry in 1960."

The birthplace of the industry was, in effect, Detroit, where automobile manufacturers, after the last war, began building trailers designed to be towed by the family car. Since that time, trailers as long as 60 feet and as wide as 10 feet have graduated into permanent living quarters. They have to be moved by special contractors from one site to another, where they usually stay put for a period of time.

The sale of trailers of all sizes has been rising steadily. Yet experts report there is no sign that the saturation point has been reached. One reason for that may be the increase in the number of retired people who are still healthy enough to move about with the changing seasonal climates. And the number of retired people is on the increase rather than on the decline, as yearly Social Security statistics show. Hence, it seems a fair assumption that the future for homes on wheels is bright, for Americans of all ages have a desire to keep moving.

**Aircraft Builders Enter Field**

After the start of the trailer business by the automobile industry, aircraft makers became interested in this line, since there seems to be an affinity between building frames for aircraft and trailers. Moreover, aircraft manufacturers have felt the cutback in Government airplane orders in favor of missile development.

A late comer in the trailer field which recently shot into the number one spot in the industry is an affiliate of Chance-Vought Aircraft, Inc., Dallas. The new division of Chance-Vought is Vought Industries. It merged with Mid-States Corp., ABC Coach, and General Coach and last year ran up sales of more than $60,000,000.

Among competitors to Vought in the trailer field is a prefabricated housing manufacturer, Knox Corp., Thomson, Ga., as well as Guerdon Industries, Inc. (Michigan), Nashua Manufacturing Co., Skyline Homes, Inc., and Richardson Homes Corp. (Indiana).

Unlike stationary homes, prices for trailers have been actually declining in recent years, owing to mass production. Thus, they have captured an increasing share of the housing market, and the industry in all its phases is becoming an interesting investment medium.

H. EUGENE DICKHUTH

# NEWEST IDEA IN DEPOSITORY SECURITY and STYLING


**DIEBOLD**
INCORPORATED
CANTON, OHIO

*Over 100 Years of Leadership*

# DIEBOLD POLARIS

## after-hour DEPOSITORY*

Here is a dramatically new idea in an After-Hour Depository! The new POLARIS by Diebold brings to your customers the convenience of 24-hour banking . . . does so in a stainless steel setting that is fashioned to add to the good looks of any bank's architecture.

And the POLARIS depository combines certified security with its smart new styling. The Underwriters' Laboratories label attests to the anti-fishing, anti-trapping protection embodied in POLARIS depositories, protection covering both envelope and bagged deposit sections.

Available in a wide choice of models including flush and recessed types, POLARIS depositories by Diebold represent an important forward step in customer convenience for your bank. We'll be happy to send you illustrated literature on POLARIS depositories without obligation. Simply use coupon below.

*In Canada:* DIEBOLD OF CANADA, LTD., TORONTO
Ahearn Safe Co., Montreal

**The term "After-Hour Depository" is a Registered Trade Name of Diebold, Inc.*

**DIEBOLD, incorporated** Dept. B- 24
CANTON 2, OHIO

GENTLEMEN: Please send me without obligation complete information on the new POLARIS after-hour depository.

NAME ____________________

BANK ____________________

ADDRESS ____________________

CITY __________ ZONE ____ STATE ______

DIB-815

# The New Pattern In Consumer Spending

THE changing pattern in consumer spending is one of the most dynamic factors in our economic growth, says Carl A. Bimson, American Bankers Association vice-president.

Mr. Bimson pointed out the following and other vital statistics to a Colorado Bankers Association Workshop earlier this year. Most often Mr. Bimson pointed up the changes that occurred between the years 1947 and 1959.

**More Income Goes to Services**

Consumer services absorbed 36% of disposable income in 1959, compared with 1947's 30.2%. This year it may rise to 37%, Mr. Bimson thinks. The percentage of disposable income spent for services has increased about 0.5% yearly for the past 12 years. The average "unit" cost of services has risen 4% each year.

The first three quarters of 1959 saw consumer expenditures for services at an annual rate of about $119.5-billion, compared with $51.4-billion in 1947—an increase in dollar spending of 132%.

Allowing for the price increases, it looks as though consumers got only 51% more in services for their money in 1959 than in 1947.

The population increase of 22% would seem to indicate no large rise in the use of services, says Mr. Bimson, but in the cost for services.

If unit costs of services continue to rise at a 4% rate, and if their percentage of disposable income rises at 0.5%, Mr. Bimson predicts a serious problem developing for our economy's production areas.

Expenditures for care and repair of consumer durables have gone up in recent years. Expenditures for automobiles, radios, TV sets, household appliances, etc., are now more than double the comparable figures for the year 1947.

The trend is also true in housing and household operations. Expenditures for services connected with household operations and housing purchases have risen on an average of 14% for each 10% rise in real income since 1947.

Purchases for clothing and shoes showed an average expenditure increase of only 9% for each 10% increase in real income, Mr. Bimson said. In this category, there has been a steady decline in the postwar period from 10% of total purchases in 1947 to 8½% in 1958—as compared with 13½% in 1929.

**Change Will Continue**

This change in our spending patterns, says Mr. Bimson, is only part of the ever-changing needs and desires of a "confident, high-income, expanding, migrant populace that has suddenly found within its grasp many of the luxuries of yesteryear."

---

CARL A. BIMSON, *A.B.A. vice-president, is also president of Valley National Bank in Phoenix, Ariz.*


*Standing from left: VICTOR C. VON MEDING, FRED S. FLOYD, JOSEPH C. FENNER, ERNEST J. HULTGREN, WILLIAM T. DWYER, Assistant Vice-Presidents; Seated, GEORGE W. MILLER and CHARLES F. NEWHALL, Vice-Presidents.*

# Their full-time job: serving you!

Here are the two administrative officials and the five officers in charge of the territorial areas of the Banks and Bankers Division at The First National Bank of Chicago. They are part of the team of 25 men who have but one job: to serve our more than 2,000 correspondent banks. Assigned to geographical areas, the men of Division F understand the problems and the needs of local bankers.

They work closely with the officers in our ten commercial divisions to supply our correspondent banks with first-hand financial and industrial information and with complete correspondent services.

No matter what the problem, no matter what the service, you can have full-time correspondent bankers working for you. Visit, telephone or write Division F at The First National Bank of Chicago today!

## The First National Bank of Chicago

Dearborn, Monroe & Clark Streets • Building with Chicago since 1863

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

(CONTINUED FROM PAGE 41)

loans expanded both during times of "easy money" and of "tight money," these being but relative terms. However, not surprisingly, bank loans expanded more during periods of "tightness" than at other times. "Federal Reserve policies," the Virginia legislator explained, "prevented loans from expanding at still faster rates, . . . but did not by any means halt their expansion." In other words, the Fed was allowing the money supply to grow, taking the period as a whole.

The data cover six alternate periods of ease and tightness between March 1951—date of the "accord"—and January 1960. During 48 of these 106 months, money was tight and loans of all commercial banks increased by $32.1-billion. During the other 58 months, loans of commercial banks expanded by $23-billion.

Another question was: "What percentage of total funds available for lending purposes is under the control of the Federal Reserve Board?" The Board replied that in most of the postwar period bank credit expansion generally constituted a relatively small share of total credit flows. Basing its data on the net changes in bank loans and investments, the Fed reports the percentage of bank credit to total credit expansion as follows:

| | | | |
|---|---|---|---|
| 1947 | 15.8 | 1955 | 11.4 |
| 1948 | (a) | 1956 | 14.7 |
| 1949 | 33.3 | 1957 | 13.9 |
| 1950 | 22.4 | 1958 | 32.8 |
| 1951 | 23.6 | 1959 | 5.7 |
| 1952 | 26.4 | | |
| 1953 | 13.2 | | |
| 1954 | 35.9 | | |

(a) negative.

### Joint Economic Committee Reports

As provided by law, the President each year makes his economic report, the Joint Economic Committee holds hearings thereon, and then makes its own report to the Congress and the country. This year's committee report suggests the propriety of changing the committee's name to Disjointed Economic Committee. The document contains two parts: a majority report and a minority report; and the two mix like oil and water. This is apart from various dissents by individual committee members.

The Democratic members, including Chairman Douglas and Vice-chairman Patman, recommend that the Fed "abandon its discredited 'bills only' policy," build up its long-term bond portfolio, and use open-market operations rather than lowering reserve requirements for secular credit expansion; and that the Treasury "avoid seeking advice on new issues from organized groups of their customers who are interested parties; institute a system of callable bonds so that the public is not saddled interminably with high interest rates; extend the auction method to other than short-term bills; and agree to sell long-term bonds in the main when interest rates are low."

The controversial proposals of the majority are rebutted in the minority report which is supplemented by 28 pages of "additional views" of Sen. John Marshall Butler of Maryland and a somewhat shorter memorandum by Sen. Jacob K. Javits of New York. Anyone who reads the 1960 *Joint Economic Report* should not overlook Senator Butler's views. Either the Senator is a keen economic and financial observer or he has a very competent amanuensis.

### Attention Congressman Reuss

Last year the Administration's request for removal of the 4¼% ceiling on bond coupons was stopped in the Ways and Means Committee by the Metcalf-Reuss amendment. Its chief author, Rep. Henry S. Reuss (D., Wis.), a member of the Joint Economic Committee, since then has steadily pressed the argument that Fed buying of Government bonds is at least as good as any other method of easing money, and better than lowering member-bank reserve requirements. Democrats contend that Fed buying of Treasuries will bring down interest rates. This policy therefore is advocated by the majority of the Joint Economic Committee, as just quoted. Better that the Fed earn interest on bonds than make a gift of bonds to the banks by lowering required reserves, Rep. Patman argues.

The Fed, of course, has opposed the suggestion. And in a recent address Woodlief Thomas, adviser to the Board of Governors, states that such proposals reveal a misconception of the nature of the Fed's operations and their effects. "The great bulk of Federal Reserve operations in the market are of short-term nature to meet seasonal and temporary needs for reserves and must be shortly reversed. They amount to billions of dollars in the course of a year and often to hundreds of millions within a few days, with opposite operations a few days later. They must be delicately attuned to day-to-day and often hour-to-hour conditions in the money market. The conduct of such operations through purchases of long-term securities or changes in reserve requirements would be impossible. If attempted they would be highly disturbing to the long-term market, which is much narrower and more sensitive to changes in supply and demand factors than the short-term market," the Board economist observes.

Another point: Bond buying would not help today. "The aim of debt management under current conditions should be to absorb savings and reduce liquidity by increasing the *public's* holdings of long-term bonds. Additions to Federal Reserve holdings of such securities would add further to liquidity, which is already adequate."

### Small Business Investment Act

The bill S.2611, amending the Small Business Investment Act, now under active consideration in the House of Representatives, incorporates several changes affecting small business investment companies. Chief among these is one which would exempt such companies owned by banks or bank holding companies from the provisions of the Bank Holding Company Act of 1956. Another provision would permit the granting of stock options to officers of small business investment companies in lieu of salaries or services actually performed. Still another would open up to small business investment companies means of securing equities in businesses receiving funds from them.

The bill, which passed the Senate in 1959 and faces smooth sailing in the House, has the support of the A.B.A. and the Association of Registered Bank Holding Companies, the former, however, having proposed some amendments as safeguards.

# Investment Program for Savings Funds

MATURITIES, the time of purchase, and yields are all-important factors in investment programs for savings funds in banks, according to L. Sumner Pruyne, vice-president, The First National Bank of Boston, and Leo F. Stanley, executive vice-president, Dry Dock Savings Bank, New York. The two speakers representing a commercial bank and a mutual savings bank, respectively, discussed savings investments in a forum held as a part of the Annual Savings and Mortgage Conference sponsored by the Savings and Mortgage Division of the American Bankers Association at the Hotel Roosevelt, New York City.

In his presentation, Mr. Pruyne noted that his assignment was to discuss the investment of savings deposits in commercial banks. "Actually," he said, "I feel that, investmentwise, the major distinction between savings deposits and demand deposits is that the bank with savings deposits is justified in using mortgages to the extent which it believes practicable. If good mortgages are not available, it is possible that the other investments held against savings deposits might have a somewhat longer average maturity life than those held against demand deposits. However, I assume that a reasonably substantial proportion of savings deposits is invested in mortgages; and under this assumption, I question whether the bank's policy in regard to security investments should be materially different as related to savings deposits or to demand deposits.

"I feel that first consideration should be given to U. S. Government obligations unless and until market situations arise which very clearly make other media distinctly more attractive. . . ."

Mr. Stanley confined himself to a discussion of the investments that savings banks make in addition to their mortgage portfolios. "It has been stated that banks are poor bond buyers," he said. "That is, of course, not universally true; but I believe we must admit that in too many cases it is unfortunately so. With the exception of wartime, when there were special incentives and considerations for purchasing Government bonds, banks have normally increased their proportion of bond holdings during periods of recession and have reduced the proportion of these holdings during periods of prosperity.

"Savings banks, by their nature, are in a different position from commercial banks so far as this bond buying is concerned and to a certain extent have a more difficult problem. With an approximate average of 65% of assets invested in mortgages and because of the near necessity to maintain a fully invested position, including the present or higher mortgage to asset ratio, savings banks can't very well sell all their long term investments and buy bills or notes to await a change in money rates. Neither can they sit for long with large amounts of cash from either loan payoffs or increasing deposits waiting for higher rates, but they can take at least some advantage of the ever changing spread in yields between mortgages and bonds by maintaining flexibility in their over-all investment programs to allow for a shifting of emphasis from one to the other.

# FEDERAL INSURANCE COMPANY

## *Fifty-ninth Annual Statement*

*December 31, 1959*

### DIRECTORS

HENDON CHUBB
*Honorary Chairman of the Board*

ARTHUR M. ANDERSON

HOWARD S. BUNN
*President*
*Union Carbide Corporation*

PERCY CHUBB 2ND
*Chubb & Son Inc.*

RICHARD B. EVANS
*President*
*The Colonial Life Insurance Company of America*

EMORY S. LAND
*Vice Admiral*
*United States Navy (Retired)*

LEWIS A. LAPHAM
*Chairman of Executive Committee*
*Bankers Trust Company*

NATHAN MOBLEY
*Chubb & Son Inc.*

GEORGE S. MOORE
*President*
*The First National City Bank of New York*

EDMOND J. MORAN
*President*
*Moran Towing & Transportation Co., Inc.*

RICHARD D. NELSON
*Executive Vice President and Secretary*
*The Colonial Life Insurance Company of America*

J. RUSSELL PARSONS
*Chubb & Son Inc.*

JUNIUS L. POWELL

FREDERICK A.O. SCHWARZ
*Davis Polk Wardwell Sunderland & Kiendl*

BERNARD M. SHANLEY
*Shanley & Fisher*

ARCHIE M. STEVENSON
*Chubb & Son Inc.*

LANDON K. THORNE

HAROLD T. WHITE, JR.
*White, Weld & Co.*

### ASSETS

| | |
|---|---|
| United States Government Bonds | $ 59,453,982 |
| All Other Bonds | 35,071,949 |
| Preferred and Guaranteed Stocks | 5,378,257 |
| Common Stocks | 70,902,675 |
| Stock of Vigilant Insurance Company | 15,360,175 |
| Stock of Colonial Life Insurance Company | 4,912,082 |
| Cash | 9,595,298 |
| Premiums not over 90 days due | 4,029,356 |
| Other Assets | 7,394,795 |
| TOTAL ADMITTED ASSETS | $212,098,569 |

### LIABILITIES AND SURPLUS TO POLICYHOLDERS

| | |
|---|---|
| Unearned Premiums | $ 45,589,770 |
| Outstanding Losses and Claims | 33,698,296 |
| Dividends Payable | 1,543,958 |
| Taxes and Expenses | 5,639,853 |
| Funds Held under Reinsurance Treaties | 4,296,686 |
| Non-Admitted Reinsurance | 5,559,100 |
| TOTAL LIABILITIES | 96,327,663 |
| Capital Stock | 12,351,664 |
| Surplus | 53,423,501 |
| Unrealized Appreciation of Investments | 49,995,741 |
| SURPLUS TO POLICYHOLDERS | 115,770,906 |
| TOTAL | $212,098,569 |

Investments valued at $7,481,636 are deposited with government authorities and trustee as required by law.

CHUBB & SON INC., *Manager*
90 John Street, New York 38, N.Y.

Ocean and Inland Marine
Transportation • Fire and Automobile • Fidelity • Surety • Casualty
Aviation Insurance through Associated Aviation Underwriters

# Too Much Consumer Credit?

*Casimir A. Sienkiewicz, president, Central-Penn National Bank, Philadelphia, is chairman of the A.B.A. Committee for Economic Growth Without Inflation.*

*The following is excerpted from a speech delivered by Mr. Sienkiewicz to the A.B.A. Consumer Credit Conference in Chicago last month.*

IT is essential that we achieve and maintain a stable and growing economy based on productive efficiency, job opportunities, freedom of choice and action, economic justice, and broad social and cultural acquisitions. We must fight against the dismal alternatives of inflation and deflation as well as the trend toward increased centralization that so often leads to total regimentation.

Our program to help foster economic growth without inflation was launched only after long and careful consideration of the basic forces at work in the economy. We have found that since World War II there has been a strong, persistent inflationary bias in one form or another—a bias which, unless corrected, may well continue into the indefinite future—a bias which is not likely to be self-correcting, except by more drastic developments than we like to contemplate or deem necessary.

Misconceptions about the meaning of economic growth and the role which inflation plays in it are rampant and constitute a real obstacle to intelligent public and private action.

### Can there be too much?

It now seems time to ask if it is not possible to be *too* successful in extending the use of consumer credit. Has the growth of such loans been more rapid than individuals and the economy can safely stand? Has it been accompanied by the deterioration of lending standards? Has total indebtedness reached a dangerous level? If the danger point has not yet been reached, what can we do to insure that it will not be? These questions require the close attention of those who are especially concerned with consumer credit.

A few figures, first of all, will help to orient us. We can get a good idea of how heavy the total debt of individuals is by comparing it with the income that they have left after paying their income taxes. Such personal debt consists mainly of mortgages on homes and consumer credit (including, of course, credit extended by nonbank lenders).

In 1949, these two types of loans amounted to about 29% of total disposable personal income, a slightly lower proportion than in 1941. By the end of last year, however, the ratio had increased to the record level of about 53%. During this decade, consumer credit tripled and mortgages on 1-to-4 family houses more than tripled, while disposable personal income less than doubled.

This increase in personal indebtedness relative to personal income means that a much larger proportion of our income must be devoted today to the servicing and repayment of debts than a decade or two ago. As a result, consumers have had a decreasing proportion of their income available for the purchase of new goods and services.

### Revolving credit: Inflationary?

Recently some new forms of consumer credit have become popular. These include so-called "charge credit" and "revolving credit" plans.

Let us consider the revolving credit plan briefly from the standpoint of the economy as a whole. Our short experience with the plan is a handicap. Our monetary authorities have pursued an increasingly restrictive credit policy for the purpose of combating inflation and boom-period excesses. With the total volume of bank credit limited, as at present, an increase in consumer lending must mean fewer funds available for other types of lending, such as mortgages and business loans. Since funds for commercial uses are already in short supply, any further tightening of such credit is sure to be resented.

On the other hand, if the Federal Reserve should feel compelled to expand the total volume of credit in order to accommodate the rise in consumer lending, the result would be to add to inflationary pressures. Hence, whatever merits the revolving credit plan may have, this seems an unfortunate time to be introducing it.

## News for Country Bankers

(CONTINUED FROM PAGE 94)

### Bank Gives Prizes for Tree Planting

THE Hancock (Md.) Bank is using an idea that will benefit four counties in three states. It's a tree-planting project.

For the best five acres of trees set out in the year ending June 1, 1960, the bank is offering a first prize of $125, a second of $50, and a third of $25. There are five additional $10 awards.

Judging is scheduled for next November and is to be based on percentage of stand, proper spacing, and freedom from volunteer growth.

The contest embraces the bank's trading area which comprises four counties in Maryland, Pennsylvania, and West Virginia. Several planters have entered. The Forestry Service, Soil Conservation Service, and the county agents are cooperating.

### How a Bank Sells Service

FOLLOWING its removal into enlarged and refurbished quarters, The Farmers State Bank of Lockwood, Mo., sent a letter to its customers, over the signature of President John T. Billingsley, inviting them to come in to see the improvements.

In his letter, Mr. Billingsley also emphasized the varied services and advantages offered by the bank, including:

Three percent interest on savings deposits; Christmas savings accounts; automobile loans at reasonable rates; signature, furniture, machinery, appliance, livestock, and real estate loans; travelers checks; automobile, vacation, and personal insurance; drive-in banking service; night depository; safe deposit vault; budgeting outstanding obligations with loans to refinance; banking by mail service; and free parking adjacent to the bank.

### Farm Family Life Insurance

IN a 30-page booklet, *The Farm Family Looks at Life Insurance,* the Institute of Life Insurance[1] in-

(CONTINUED ON PAGE 144)

# The Case of the determined dowager

*(Hubert, the Harris Lion, relates a true story about an unusual service performed for one of our correspondent banker friends)*

"An officer of a correspondent bank of ours called us one day with an urgent plea for help. His elderly mother, he said, was determined to visit our fair city to see the sights—and alone!

"What's more—she not only turned down his offer to drop all business and accompany her, but insisted (with the tip of her cane) that she'd brook no interference on his part whatsoever.

"You can see the dual problem we faced. She had to be escorted—and she had to be induced to accept this gesture willingly. It was a situation that called for the services of a person with the wisdom of Solomon, and the adroitness of a foreign diplomat.

"Our Mr. M. accomplished this mission. Suffice to say—they saw the sights, lunched leisurely, and parted warm friends. For our part, we were pleased that things had turned out so well.

"You can be sure that any problem put to the Harris by one of our correspondents receives the personal attention of our officers. Bear this fact in mind in considering a new—or additional—correspondent relationship here in Chicago."

# HARRIS *Trust and Savings* BANK

*Organized as N. W. Harris & Co. 1882—Incorporated 1907*
*111 WEST MONROE STREET, CHICAGO 90*
*Member Federal Reserve System . . . Federal Deposit Insurance Corporation*

(CONTINUED FROM PAGE 142)

cludes information designed to give a better understanding of life insurance and shows how farm families can get the most out of policies already owned and those they may purchase in the future.

An advisory committee composed of six Extension Service representatives in as many states helped draft the booklet.

[1] 488 Madison Avenue
New York 22, N. Y.

## Banks Sponsor Cotton Book

In the interest of developing a better agriculture in Lincoln County, Arkansas, 10 banks serving the area paid for the production of a booklet written by the county agent and assistant county agent entitled, "Cotton Farming In the Sixties—Lincoln County Production Practice Guide."

The booklet gives a summary of Extension and Experiment Station recommendations on soil preparation, fertilization, liming, fumigation, varieties, chemical weed control, flaming, insect and disease control, irrigation, defoliation, mechanical picking, and marketing.

## 4-H Savings Bond Awards

Sixteen outstanding farm boys and girls in Wisconsin each received a $25 Series E United States Savings Bond from the Wisconsin Bankers Association for their achievements in 4-H Club activities during the past year.

Local bankers are presenting the bonds on behalf of the Association's Agriculture and Reforestation Committee, according to Committee Chairman Arnold E. Kuehn, executive vice-president, The State Bank of Viroqua. Awards are being made in co-operation with the 4-H agents of the winners.

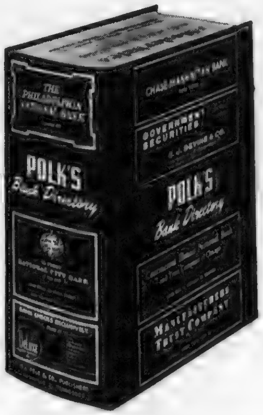
**A MATTER OF ECONOMY**

**My wife has been shopping and I have been ruing it;**
**She's picked up some bargains in store after store;**
**She's saved quite a bit, but she's spent so much doing it,**
**We just can't afford to save any more.**

**STEPHEN SCHILTZER**

*Fred A. Dowd, President*
*The First National Bank of Cincinnati*
*Cincinnati, Ohio*

# *"Factual and Concise..."*




"At First National, we like Polk's for its factual and concise information. It is well organized and covers all the more important financial institutions that we need to check."

POLK'S BANK DIRECTORY

## R·L·POLK & CO.

**publishers**

*130 Fourth Avenue North • Nashville 3, Tennessee*

DETROIT • BOSTON • NEW YORK • PHILADELPHIA • PITTSBURGH • CLEVELAND • RICHMOND • CHICAGO • ST. PAUL • ST. LOUIS
KANSAS CITY • DALLAS • LOS ANGELES • SEATTLE • HONOLULU • QUEBEC CITY • VANCOUVER • AND OTHER PRINCIPAL CITIES

# Politics

(Continued from page 57)

ber of Commerce "Action Course in Practical Politics." Concurrently he studied material and procedures used by *Cope* (Committee on Political Education). During the months that we were at work gathering material, we saw to it that the minds of the prospective students were prepared for what we proposed doing. Our political missionaries grew in number. We talked it in staff meetings. We elbowed up to the desks of employees for private sales talks. The conversation at the water cooler more and more frequently turned to political problems.

## Discussion Groups Most Effective

Our experience in employee education presented no problem as to the most effective way of presenting the material. Since we learn by doing, and by our own experience, our program was set up on a discussion group basis. Out of 136 employees, we have 28 who requested to participate in the first 18-hour course.

Students are divided into two discussion groups. They meet each week for one and a half hours on bank time. From material furnished them at our expense they are learning how to become active and effective in the political party of their choice. In the discussion period we use case problems. They are brief stories or descriptions of typical problem situations. These deal with practical political situations common to almost any community in the country.

As we discuss these cases we try to relate them to our own community. During our second session students were acquainted with the duties of precinct leaders. They were informed on how to become a precinct leader. We discussed and inspected petitions of candidacy. Six of these students are now circulating their petitions! Each subsequent session covers a specific area of political training.

Objections and warnings against this new venture have come from several quarters. But we want our people to have at least a local exposure to the political processes.

Building a better business climate is a grass-roots enterprise, in which anyone can participate. It is banking citizenship first class.

*The Mechanics Bank of St. Joseph, St. Joseph, Mo. • Design Consultant: Western Bank Contractors, Inc., Kansas City, Mo.*
*Architect: **Edward W. Rigby, Kansas City, Mo.** • Contractor: Lehr Const. Co., St. Joseph, Mo.*

*PPG **products installed:** Pittco store front metal; West doors; Tubelite door frames; Polished Plate Glass; Pennvernon® window glass and High-Fidelity® mirrors*


# The best look is the "see-through" look . . . with a PPG Open-Vision Front

Invite customers in with the "display room" look of a PPG Open-Vision Front. People like this friendly, wide-open look that says "come on in, we welcome your business." That's why Open-Vision Fronts pay for themselves through increased business. Modernize your store front and watch *your* volume grow. PPG has the complete package to give you the Open-Vision look: Pittsburgh Polished Plate Glass, PITTCO® store front metal, TUBELITE®, West and HERCULITE® doors and PITTCOMATIC® automatic door operators. For more information, send for our free booklet or contact your PPG branch or distributor. There's one near you.


**Pittsburgh Plate Glass Company**
**Room 0126, 632 Ft. Duquesne Blvd.**
**Pittsburgh 22, Pennsylvania**

*Please send STORE FRONT booklet to:*

Name ____________________

Address ____________________

City ____________ State ______

Store ____________________

Pittsburgh Plate Glass Company

*Paints • Glass • Chemicals • Fiber Glass   In Canada: Canadian Pittsburgh Industries Limited*

# New Books

A PROPER MONETARY AND BANKING SYSTEM FOR THE UNITED STATES. Edited by *James Washington Bell* and *Walter Earl Spahr*. Ronald Press, New York. 239 pp. $6. This book is the result of a decision by the executive committee of the Economists' National Committee on Monetary Policy that "the fundamental errors in principle and practice in our monetary and banking structure should be described as accurately as possible by competent and reliable scholars in that field, and that specific recommendations for improvement should be offered in the interest of the general welfare." Authors selected for the assignment are, in addition to Messrs. Bell and Spahr, Frederick A. Bradford, Donald L. Kemmerer, Melchoir Palyi, Robert T. Patterson, Clyde William Phelps, and G. C. Wiegand, each of which contributes one or more chapters.

Concluding recommendations offered by Professor Bell cover the monetary standard and currency structure, the central banking system, liquidity of the credit system, appropriate method of credit control, central bank policy and the balance of international payments, relation of the central banking system to the Government disposition of Federal Reserve bank earnings, the Reserve banks as bankers' banks, and proper organization for international monetary cooperation.

In general, the critical analysis reveals what the authors regard as fundamental errors of principle and practice which, they contend, have undermined the stability of the currency. Recommendations for reform include a fixed monetary standard and a freely redeemable currency—a return to the gold standard.

GUIDES FOR BUSINESS ANALYSIS & PROFIT EVALUATION. U. S. Department of Commerce, Washington, D. C. 76 pp. 30 cents. Operating and financial ratios, use of Government statistics, and other management tools.

# WHAT'S NEW

IDEAS | SYSTEMS | BOOKLETS | PRODUCTS

*This department is compiled by* ETHEL M. BAUER *of* BANKING'S *staff.*

STAMPAK, the new stack-away, self-inking rubber stamp system, completely eliminates stamp racks, stamp trees, and ink pads. A Stampak unit can hold as many as 8 rubber stamps. Each stamp pad is labeled

and right-side-up, always inked and ready for use, and fits into one neat stack, taking less room than a desk pen. Offers the versatility of five different ink colors within the same Stampak unit for color coding. Produced by **Stampak Sales Company, 255 Park Avenue, South, New York 10.**

A DEVICE for simultaneously notching up to 75 Needle/Sort or other marginally punched cards or checks has been announced by the **Beekley Corporation, Data Systems Division, West Hartford, Conn.** The Needle/-Sort Desk Model Groover has a locating and chip ejection pin that precedes the blade, assuring perfectly aligned, clean-cut notches, and positive chip disposal. The use of a separate spindle alignment plate is unnecessary. The platen is hardened steel and permanent. Because of these features, the grooming operation is relatively effortless and much faster. Designed for desk-top use, the groover occupies a space 6¼" by 8¼", is 9¼" high, weighs 14 pounds, and has a rubber nonskid base.

THE CROWDMASTER *Money Spectacular* is the name of a traffic builder now offered for use by banks, as well as at conventions, meetings, exhibits, etc. The Spectacular is a display of U. S. currency. In a frame 4½ by 3½ feet in size, it represents many thousands of dollars in real money. A powerful attention-getter, the Money Spectacular may be rented for periods of one day to two weeks. Full information is available by writing **Republic Company, Dept. T-60, 75 W. Van Buren Street, Chicago 5.**

MANY items for referencing microfilms are contained in the new Recordak Indexing Kit. Prepared by **Recordak Corporation,** a subsidiary of Eastman Kodak Company, **415 Madison Avenue, New York 17,** the kit provides an easy step-by-step method for finger-tip accessibility of records on microfilm. An instruction booklet is included.

NO COUNTING, no guessing, no recounting with the use of a new Coin-Counter introduced by **Coin Calculator Corporation, Ferry Building, San Francisco 11.** Coins are pocketed in staggered fashion, five coins in each pocket for easy handling. Totals are visible at a glance. Individual trays may be removed to tip the contents in the hand for easy packaging. For further information and illustrated pamphlet write to the company.

A STURDY new recording tape designed to withstand rough treatment has been announced by **Minnesota Mining and Manufacturing Company.** Scotch Brand No. 311 magnetic tape features a new backing material which is tear, stretch, and moisture-resistant. An extra feature of the tape is that it has a different color on each edge, making it especially useful for dual track recording to identify clearly which track is being used. For a free folder and a strength test sample of the tape write to **Dept. EO-41, 900 Bush Avenue, St. Paul 6, Minn.**

CARD-KEY System provides electronically controlled entrance to clubs, lodges, and organizations. Nothing except a Card-Key will unlock the door. Simply installed, it cuts operating costs, eliminates embarrassment and is unconditionally guaranteed. For free information write to **Card-Key System, Inc., P. O. Box 589, Burbank, Calif.**

## BOOKLETS

A HANDSOME 16-page illustrated booklet, *What's New in New Quarters Design* is being offered to bank executives by writing to **Bank Building and Equipment Corporation of America, 1130 Hampton Avenue, St. Louis, Mo.**

PRESENTING a new concept in auto-loan promotion is the portfolio, *Polk's Pin-Pointed Prospecting Plan for Automobile Financing,* being offered by writing to **R. L. Polk & Co., 130 Fourth Avenue North, Nashville 3, Tenn.** The copy will include a Service C for your market area, and also a filled-in estimate.

A COLORFUL poster illustrated with a steaming cup of coffee and carrying the slogan — *and then back to work* is being offered free of charge to interested executives on request by writing **Kelly-Read & Company, Inc., 508 Saint Paul Street, Rochester 5, N. Y.** The poster is 20" x 27".

# BANKING's Advertisers

*April 1960*

# The OUTLOOK and Business Conditions

(CONTINUED FROM PAGE 36)

lawyers and others who are self-employed would be allowed to put 10% of their income, but not over $2,500 a year, in a pension fund without taxes).

### *Government Financing*

The financing operation in February 1960 was an outstanding success. Another $7.4-billion will be needed in March; May, $6-billion; and August, $9.5-billion. All of this should be handled without any trouble. As usual, the Government will try to push out the time of the debt, but each of these offerings will be back-stopped with a 1-year issue that will insure its success.

### *Statutory Interest Limit of 4¼%*

This has become a red-hot issue and now amounts to political blackmail for use in the November elections. There is likely to be some kind of a compromise worked out, but it will not lead to a clean-cut increase of the 4¼% limit. The compromise may take the form of raising the interest on a certain amount of bonds each year, say $3-billion or $5-billion. A suggestion has been made that it might be 2% of the debt each year. Another possible compromise might be to allow the Treasury to do advance refunding. One of the phenomena of this Government market is that Savings Bonds continue to be purchased through savings plans, although the yield is much below that of other bonds. It is believed that an increase in the rates would not materially increase the amount of bonds that are being sold. There is some concern about the public getting into long-term Governments, which fluctuate with the money rates. It is felt that the average individual does not understand this fluctuation and might believe that the credit of the United States was not good.

### *State and Local Financing*

Demand for financing by the states and local governments will increase steadily and rapidly as long as their credit remains good. These governments are trying to bridge the gap caused by their inability to finance from 1929 to 1935 when their credit was suspect, and by the war period and from 1938 to 1948. Since then they have been trying to fill the gap and keep pace with inflation. The time is not far distant when it will be necessary to study the credit of some of these communities, because they may get into trouble.

### *Public and Private Debt*

Figures presented showed a total debt of $827-billion: Federal ($243-billion net); state and local ($55.6-billion); and private corporations, farm mortgages, commercial and consumer debt ($529-billion). Although this debt has been growing rapidly, there is no indication of any weakness in the debt structure.

### *Consumer Credit*

Since 1938 total consumer credit has increased from $7.2-billion to $50.4-billion, with 1959 10% greater than 1958. Of this amount, instalment credit stood at $38.7-billion in November 1959, against $4.5-billion at the end of 1939. This represents a change in our manner of living. We buy goods and pay for them as we use them up. Instalment credit will probably be increased by the birth rate and increases in wages, but not at such a rapid rate as in the past. There has been some talk of putting this credit under direct Government control. A study made in Philadelphia indicates the difficulty of the undertaking. Under any such plan it would be necessary for the Federal Reserve in that district to police 250,000 agencies who are now issuing credit in one form or another.

### *Turnover of Demand Deposits*

There has been a big increase in the turnover in deposits in New York and through the rest of the country. This is due in part to the mechanics that speed up the use of money, airplane mail, and computers. This, coupled with more borrowed money and higher rates, has caused the rate of turnover in New York City to increase from 29 times a year in 1950 to 60 times a year in 1959. In the six important centers of Boston, Chicago, Philadelphia, Detroit, San Francisco, and Los Angeles it has increased in the same period from approximately 21 times to 33 times. The other 337 reporting centers show the same trend. Their turnover has gone up from 16 to 25 times. The rate of turnover cannot be controlled, but the automatic part of the speed-up has about reached its course. It seems likely that the turnover will not be increased greatly if business conditions continue anything like normal.

### *Balance of Payments*

Balance of payments is one of the big current problems. Figures show that it is running against us at the rate of $4.0-billion to $4.5-billion a year. Our exports are faced with competition from abroad, and we have to do more selling instead of order-taking. We also have to develop new products, but we will be working in a bigger and more competitive market. If the balance of payments continues against us it is mostly because of our own charity. The spirit of Congress is to take care of the undeveloped people. We could reduce the balance of payments problem almost to the vanishing point by eliminating this charity, but it does not appear to be feasible.

Everyone is conscious that the balance of payments is running against us and that this situation is important. We won't lose too much gold, because, while the figures indicate that as of December 1959 we had $19.3-billion of short-term liabilities to foreign interests, most of these funds are needed to carry on business in the United States. There is no indication that the foreigners have lost confidence in the dollar, and most of them still regard this as the best place to have their funds. Foreign funds used in the stock market and in Treasury bonds, however, could be withdrawn from this country on short notice and materially reduce our gold stock.

The proposal has often been advanced that we should eliminate the 25% legal cover requirements from our money because other countries have done it successfully. From a theoretical standpoint this is possible, but from a practical standpoint we must consider that this requirement puts a restraint on any Congress inclined to spend too much money. The $35 gold price will probably stay as it is.

WILLIAM R. KUHNS

e
d
t
e
t
e
t
t
g

n
e
d
s.
er
k
30
of
o,
od
er
n-
n-
of
ns
ly

ob-
he
ts
ve
ve
a
of
of
are
nce
by
be

nts
im-
ile
had
ter-
usi-
hat
and
ave
ket
wn
uce

ould
our
ess-
but
this
ned
rob-

rs

ING